The Rank Group Plc

Annual Report & Accounts 2004

focus on value



Rank Group


MECCA
Bingo

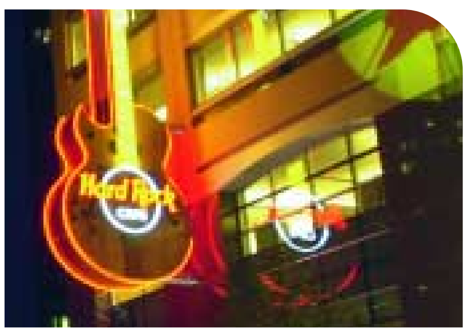
GROSVENOR
CASINOS

Hard Rock
CASINO

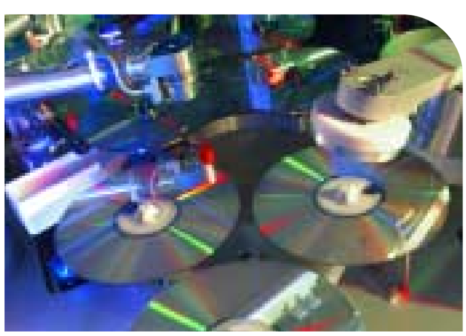
BLUE
SQ
bluesq.com

CAFE

Hard Rock
HOTEL
CHICAGO





Gaming

Rank has one of the UK's leading gaming businesses

Bingo

120 clubs in the UK and 11 in Spain

Casinos

Five in London, 29 in UK provinces and two in Belgium

Hard Rock Casinos

Two Hard Rock Casinos, one in London and one in Manchester

Blue Square

Three websites, telephone betting and interactive gaming

Useful websites

www.bluesq.com
www.grosvenor-casinos.co.uk
www.hardrockcasino.com
www.meccagames.com
www.meccabingo.com
www.gamblingreview.co.uk

Hard Rock

Hard Rock is one of the world's most widely recognised entertainment brands

Hard Rock Cafe

69 company-owned, 53 franchised in a total of 41 countries

Hard Rock Hotels and Casinos

Joint venture with Sol Meliá to develop Hard Rock Hotels in Europe and the Americas while hotels in Bali and Thailand operate under licence. Two resort casinos and hotels in Florida

Hard Rock Live!

Concert venues in Orlando, Mexico City, Bali and Guadalajara

Hard Rock Merchandise

Variety of branded merchandise available at all Hard Rock locations and via the website

Useful websites

www.hardrock.com

Deluxe

Deluxe Film and Media Services provide film and DVD production, distribution and related services to the global movie industry

Deluxe Film Services

Laboratories in Canada, US, UK, Spain, Italy and Australia
Creative services in five countries: US, UK, Canada, Italy and India
EFILM in US

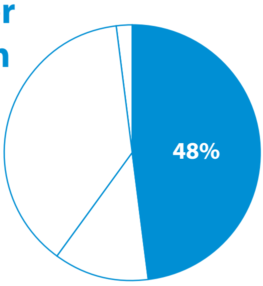
Deluxe Media Services

DVD replication in US and Europe. Video duplication in US and Europe. Distribution, supply chain

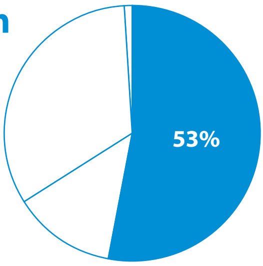
Useful websites

www.bydeluxe.com
www.efilm.com

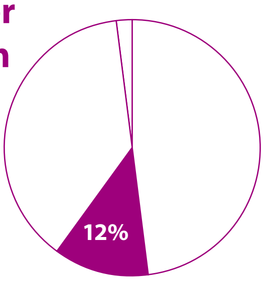
Turnover
£937.4m



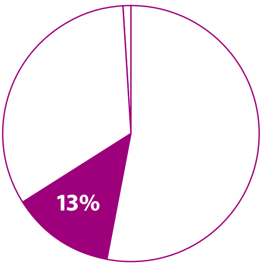
Operating profit*
£114.8m



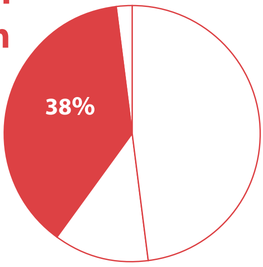
Turnover
£232.0m



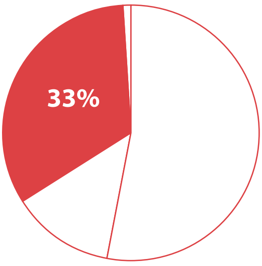
Operating profit*
£27.8m



Turnover
£751.7m



Operating profit*
£71.3m



Other operations

US Holidays
Timeshare operations, campgrounds and a hotel

Universal Studios – Hotels
25% equity interest in 3 hotels at Orlando, Florida – Portofino Bay Hotel, Hard Rock Hotel and Royal Pacific Resort Hotel

Universal Studios – Japan
10% equity interest in theme park

Rank is an international gaming, leisure and entertainment group structured around three major divisions with market leading positions

Financial Highlights

Group operating profit*

£204.9m

(2003 – £218.0m**); £139.0m after goodwill amortisation and exceptional items (2003 – £160.5m**)

Profit before tax*

£168.1m

(2003 – £187.1m**); £83.3m loss after goodwill amortisation and exceptional items (2003 – £122.7m profit**)

Exceptional charge of

£233.4m

(including a provision for loss on disposal of Deluxe Media of £181.4m, which includes £76.7m of goodwill previously written off to reserves)

Earnings per share*

20.0p

(2003 – 19.2p**); 19.9p loss per share after goodwill amortisation and exceptional items (2003 – 13.3p** earnings per share)

Gaming operating profit* up 4.6%

£114.9m

(2003 – £109.8m***), reflecting a better second half in both bingo and casinos and excluding RLMS

Hard Rock operating profit* up 20%

£27.8m

(2003 – £23.1m), reflecting a return to like-for-like sales growth in cafes and first time contributions from Seminole hotels and casinos

Deluxe operating profit*

£71.3m

(2003 – £92.7m**), reflecting a weaker second half schedule in Film and continued decline within Media

Net debt down to

£606.7m

(2003 – £700.5m)

Proposed final dividend up 5.4%

9.8p

(2003 – 9.3p), making a total for the year of 14.6p (2003 – 13.9p)

Separation of Deluxe: Deluxe Media to be sold; options for Deluxe Film being pursued.

* before goodwill amortisation and exceptional items
** restated for FRS 17
*** restated for FRS 17 and excluding Rank Leisure Machine Services (RLMS)

Chairman's statement

2004 has been an important year for Rank. Each of the Group's divisions has made further progress in developing its businesses through a combination of investment, product development and innovation. Whilst each division has faced its own challenges during the year, it is pleasing to see that the rewards from some of our earlier investments are now beginning to feed through into financial performance and this bodes well for the future.

The Group's gaming business delivered a solid financial performance in 2004. The development of its property estate remains a core part of the strategy and this has continued with more relocations and a further two new properties added during the year. Along with the rest of the UK gambling industry, we can only watch and wait to see if the new Gambling Bill is enacted and if so, what it will finally look like. However, I believe that the Group's strong market position in both bingo and casinos, as well as a growing presence in the interactive gaming market, mean that, regardless of the outcome, Rank is well placed for the future.

The Hard Rock business model is changing with an increasing proportion of revenue and profits now coming from franchised and licensed, rather than owned, activities. The successful extension of the brand into hotels and casinos is beginning to demonstrate the potential that exists and further opportunities are already

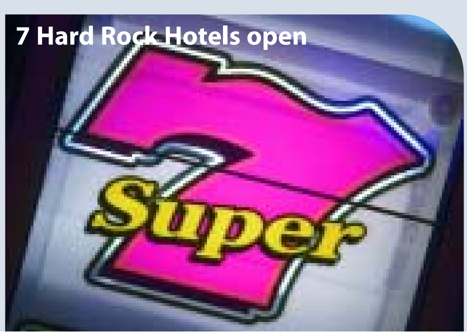
the numbers

36 casinos in the UK

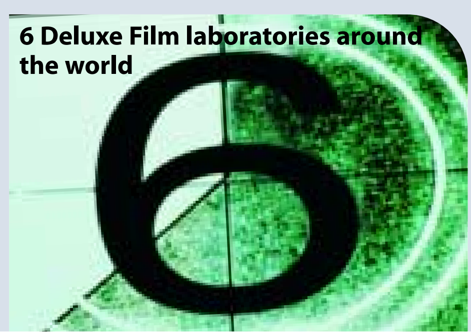
69 owned Hard Rock Cafes

30% increase in casino membership

11 bingo clubs in Spain



7 Hard Rock Hotels open



6 Deluxe Film laboratories around the world

focus on value

under development. A return to positive like-for-like sales in the restaurant business is also encouraging.

Deluxe Film has expanded its operations into new geographic locations and also new product areas. Creative services, such as post-production and compression, encoding and authoring, represent exciting new and high growth areas of development for the film business. Deluxe Media has faced a challenging year following the loss of a major DVD contract in 2004.

Following a detailed review of the possible separation of Deluxe Film and Deluxe Media from the rest of the Group, the Board has concluded that Deluxe Media should be sold and a sale process is now underway. The Board is convinced of the strategic merit of separating Deluxe Film and is continuing to work towards a solution which will be in the best interests of shareholders.

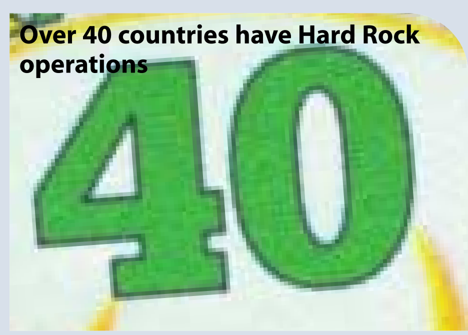
During 2004, Richard Greenhalgh and Brendan O'Neill joined the Board as additional independent non-executive Directors and both have contributed significantly to the Board's deliberations. I am also very pleased that David Boden, who has headed up Rank's Gaming Division for a number of years, joined the Board from March 2005. Peter Jarvis will be retiring as a Director at the conclusion of this year's Annual General Meeting after 10 years of loyal and dedicated service; we shall greatly miss his contribution and experience.

Despite the changes and challenges faced by each of our business divisions over the past five years, the Group structure has delivered strong returns for shareholders. Now, as we move towards a new chapter in the Group's development, I and the rest of the Board believe that the value created in the past can both be sustained and grown further, and I look forward to the coming year with confidence.

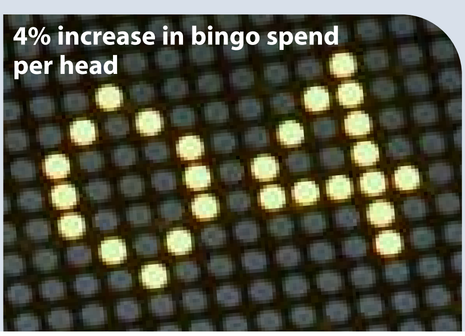
Alun Cathcart Chairman

5% increase in annual dividend

195,000 active Blue Square customers



Over 40 countries have Hard Rock operations



4% increase in bingo spend per head

626 electronic roulette terminals

398 gaming tables

focus on 2004

Relocated Cardiff Casino

Mike Smith Chief Executive

"The future prospects for the Group will be affected by the outcome and implementation of the proposed Gambling Bill, and the possible separation of Deluxe. Notwithstanding these uncertainties, the Group is well placed to continue to make progress in 2005."

Results
The Group's 2004 operating profit before goodwill amortisation and exceptional items was down £13.1m to £204.9m (2003 – £218.0m). Gaming enjoyed another year of profit growth, helped by a much stronger second half performance, and Hard Rock began to benefit from brand licensing deals and an improved cafe performance. However, a much weaker film schedule than in previous years and the loss of two contracts in 2003 meant that Deluxe Film's performance in the second half was disappointing. As expected, Deluxe Media was well behind last year. Since the year-end, trading patterns across the Group have been in line with expectations and the Group is well placed to make progress in 2005.

Development
During 2004, the Group continued its strategy of expansion and carefully planned investment in each of its three business divisions. Total capital expenditure was similar to last year at £115.6m although on a like-for-like basis (i.e. excluding Rank Leisure Machine Services (RLMS)), it was £20.5m ahead of 2003. Investment in acquisitions during the year totalled £74.7m (2003 – £123.6m), including a series of small additions to the creative services business within Deluxe Film and a further bingo club in Spain.

Gaming
In Mecca Bingo, the plan of relocating some of the older facilities to new, often larger, premises continues. The clubs at Burton, Bolton, Easterhouse (Glasgow) and Ellesmere Port were all relocated during the year. The Edinburgh Palais will be relocated and new units will open in Paisley, Thanet and Crewe in 2006. Over the past ten years the Group has invested over £330m in its bingo facilities and the quality of the estate is seen as a major strength and differentiator from its competitors.

Grosvenor Casinos also saw further investment in its estate with the opening of two new casinos, in Stoke-on-Trent and Bolton. Two new casino licences were also granted in Dundee and Swansea. A total of 22 of the Group's existing 36 operational casinos in the UK are now either new or have been relocated or extended since 1997, and whilst there is still further work to do before the programme is complete, management believes that the quality of the current estate is key to Grosvenor's ability to attract and retain casino customers. During the year, changes in the identification rules for guests served to stimulate casino membership which increased by 30%, or 265,000 new members.

Blue Square has continued to broaden its product offering with the launch of two exciting new products during 2004: an online casino and a poker room. The substantial growth in the popularity of poker in particular has been well documented and now Blue Square has an opportunity to capture some of this growth. The first Blue Square betting shop, located next to the Group's Victoria Casino in London, is scheduled to open later this year and will offer sports-betting customers a different environment and service approach.

UK Gambling Bill
A new Gambling Bill is currently being considered by Parliament. Over the past four and a half years, Rank has worked closely with Government to try and ensure that the new legislation passes the critical test of being both consistent with the Government's policy objectives, whilst serving to stimulate a competitive market for the benefit of customers. While much of the Bill is uncontentious, Rank believes that, if passed without suitable amendment, those elements of the Bill which affect the UK casino industry will fail this test on both counts.

The process to deliver a new regulatory framework for UK gaming, which began back in 2001 with Professor Alan Budd's "Gambling Review", has been a long and difficult journey. We now have a situation where, despite being close to enactment, the current proposals are not acceptable to the UK casino industry because they will place existing casino operations at a substantial competitive disadvantage. Rank, and the rest of the industry, is continuing to engage with Government on this very important matter and trusts that ministers will recognise that a level playing field


Madrid Hard Rock Hotel – Q4 2005


Manchurian Candidate

for all casinos is the only sensible way to ensure that the UK market remains competitive and maintains its position as one of the world's most respected gaming markets.

It is against this background that Rank and the rest of the UK gaming industry are having to plan for all possible outcomes. Despite the lack of clarity regarding the detail and timing of any new legislation, the Group intends to continue its strategy of improving the quality and scale of its UK gaming operations through a programme of carefully planned investment and development.

Hard Rock
Hard Rock's results improved in 2004. Not only were like-for-like sales positive, the investments made in extending the brand into hotels and casinos are now starting to deliver real returns. Whilst merchandise sales remain difficult, the core restaurant proposition is attracting more and more customers, profitability is improving, and this is stimulating additional franchise activity. Having opened eight new franchised cafes in 2004, there are already confirmed plans to open a number of new franchised cafes in 2005: in Belo Horizonte (Brazil), Canary Islands, Caracas, and Santo Domingo.

In 2004, Hard Rock's management focus has been on developing and repositioning the brand to improve its image and marketability. This has prompted a reorganisation of the management team, as well as a detailed review of the business' operating assets, including sites and locations. After 20 years on the 57th Street site, the Hard Rock cafe in New York is to be relocated to Times Square during the third quarter of 2005. In its new location, the cafe is set to become a New York landmark featuring a 700-seat restaurant, a 1,500 square foot retail shop, and a live music area for concerts and special events.

The hotel joint venture with Sol Meliá has made further progress in 2004 with the opening of the Chicago hotel and the announcement of further hotels in New York and Madrid. A fourth urban hotel in San Diego is also expected to open under franchise in 2006. Continued record occupancy and room rate at the Hard Rock Hotel in Orlando, and solid performances at the two Hard Rock hotels on Seminole Indian properties in Florida, are further indications of Hard Rock's true potential as a hotel brand. The two Seminole casinos have performed in line with expectations to date and a full year's contribution will be a further boost to performance in 2005. The US$235m licensed Hard Rock hotel/casino development in Biloxi, Mississippi, is on track and scheduled to open in 2005, and the Group continues to explore other opportunities to license the Hard Rock brand for gaming projects both in the US and other international markets.

Deluxe Film
During 2004, Deluxe successfully extended two major film contracts so that its weighted average contract life, as at 31 December 2004, was 53 months, with no major contract due for renewal before December 2007.

The acquisition of the remaining 80% of EFILM not already controlled by the Group was an exciting and significant development for the business, and consolidated Deluxe Film's presence in creative services. These rapidly growing business segments offer high value-added services to film directors and producers that allow them to improve the quality of their films and associated DVD products.

With one of the most sophisticated digital laboratories in Hollywood, EFILM's market leading position in the digital intermediates market means that Deluxe can now offer film-makers the use of state-of-the-art digital imaging technologies, helping to optimise the quality and impact of their release prints. Increasing competition at the box office is driving film studios to create better motion pictures and should help to increase the demand for EFILM's services. In 2004, EFILM worked on 29 major films compared with 23 in 2003.

Deluxe Digital Studios' compression, encoding and authoring business, now incorporating DVCC and Softitler, which were acquired during 2004, is one of the largest of its type in the world. Designing and creating the menus for major film title DVDs, as well as compressing the film data onto a DVD and creating much of the bonus material such as documentaries and interviews, is a highly skilled and technical process. As the volume of DVD sales has continued to expand, so has the demand for high quality services like those provided by Deluxe Digital Studios.

The digital asset management business continues to broaden its product offering and has already secured a major contract from one of Hollywood's leading studios to archive and digitise over 58,000 pieces of content and control the distribution of that content to third parties.

Group structure
Having now completed a detailed review of the possible separation of both Deluxe Film and Deluxe Media which was announced in September 2004, the Board has concluded that a sale of Deluxe Media is the preferred route to separation for that business and is currently engaged in discussions with a number of interested parties. The Board is convinced of the strategic merit of separating Deluxe Film and is working towards a solution. However, the issues involved are complex and the Board is determined to ensure that any separation will be undertaken only if it is in the best interests of shareholders.

Exceptional charge
The Group incurred an exceptional charge of £233.4m in the year, of which £19.0m was cash. £30.3m of the total charge was recorded in the first half and related to restructuring costs within Deluxe Media and a loss on the sale of RLMS. A further exceptional charge of £203.1m has been recorded in the second half. This relates to a provision for loss on disposal of Deluxe Media totalling £181.4m including goodwill previously written off to reserves of £76.7m. In addition, a charge of £31.0m has been recorded within Hard Rock, relating to the relocation of the New York cafe, closure of the Vault, and the impairment of certain underperforming assets. The tax credit on exceptional items was £9.5m.

Cash flow and financing
The Group again generated positive cash flow after interest, tax and dividends, but before acquisitions and disposals, of £36.3m (2003 – £17.1m). Following the conversion of the outstanding £65.0m convertible loan notes which were issued in connection with the acquisition of Blue Square in 2003, net debt was £606.7m at the year-end (2003 – £700.5m) with an average cost of borrowing of 5.5% for the year.

International Financial Reporting Standards
In accordance with regulations issued by the European Parliament in 2002, Rank is preparing for the adoption of International Financial Reporting Standards (IFRS) as its primary accounting basis. IFRS will apply for the first time in the Group's annual report for the year ended 31 December 2005. As a result, the

Group's results for the six months to 30 June 2005 will be prepared under IFRS and will include a comparative table showing the results for the same period to 30 June 2004.

Overall, while a full assessment has yet to be completed, it is not expected that there will be a material impact on the reported profits of the Group as a result of the adoption of IFRS. The Group plans to provide a further update during the second quarter of 2005.

Board appointment
The Board is pleased to announce the appointment of David Boden to the main Board of Rank as an executive Director with effect from 1 March 2005. David has been head of the Group's Gaming division since January 1998.

Current trading and outlook
Current trading patterns across the Group are in line with expectations. Overall, both Mecca Bingo and Grosvenor Casinos are performing broadly in line with expectations although a lower win percentage in the provincial casinos has offset the return to a more historic level of profit at the Clermont. Hard Rock has started well and like-for-like sales are ahead of last year, with Europe continuing to perform strongly. Deluxe Film has seen reasonable volumes in the first few weeks of the year, while at Deluxe Media, DVD volumes have been strong but VHS continues to decline.

The future prospects for the Group will be affected by the outcome and implementation of the proposed Gambling Bill, and the possible separation of Deluxe. Notwithstanding these uncertainties, the Group is well placed to continue to make progress in 2005. As a result, we are pleased to announce a 5.4% increase in the proposed final dividend to 9.8p per share, making a total dividend for the year of 14.6p per share.

Mike Smith Chief Executive

Looking forward to 2005

A new financial year is always accompanied by a range of uncertainties that lie ahead, and 2005 is no different. While a UK general election adds to the political and economic uncertainty facing the Group and its stakeholders, the three issues which stand out as being most prominent for Rank in the coming year are (i) the outcome of the current Gambling Bill; (ii) the separation of Deluxe Film and Deluxe Media from the rest of the Group; and (iii) the adoption of International Financial Reporting Standards.

Outcome of the Gambling Bill
As already outlined in the Chief Executive's review, the process to deliver a new regulatory framework for UK gaming has been a long and difficult journey. Despite the possibility that the new Bill will become law in the current year, there remain a number of unknowns, not least of which are whether the Bill will be enacted at all and if so, what shape the final legislation will take.

It is against this background that Rank and the rest of the UK gaming industry is having to anticipate three broad possible outcomes: (i) the Bill fails; (ii) the current draft of the Bill is enacted without any amendment; and (iii) the Bill is enacted but with certain amendments.

(i) Gambling Bill fails
A return to the status quo, after four years of debate, parliamentary time and enormous expense by the industry as a whole, would be a major disappointment. The opportunity to tighten the regulatory framework and introduce a single regulator would have been lost. In this circumstance, Rank would continue as it has done under the current law – relocating its properties to bigger and better premises and adding new casino and new bingo licences in appropriate locations.

(ii) Gambling Bill passed – no amendment
Whilst much of the current Bill is uncontentious, it is the inevitable creation of a two-tier system within the UK casino market – whereby there would be a limited number of new casinos that can offer a broad range of gaming products, and all of the existing casinos that cannot – which has been of greatest concern to the UK industry. While no new casinos are likely to open for some years, once open, they can be expected to have a competitive advantage over the existing 137 casinos that operate in the UK. The UK is one of the most respected gaming markets in the world and existing operators have earned the right to be able to compete on a level playing field.

(iii) Gambling Bill passed – with amendments
Assuming that the legislation can be amended so as to create a fair and level playing field, allowing all casinos to compete on the same basis, Rank believes that this would be the preferred outcome. In this case Rank will seek to expand its existing network of 36 UK casinos, creating a number of multi-gaming venues.

Rank hopes that, together with the rest of the UK gaming industry, it can demonstrate the merit of a level playing field, and that the Gambling Bill is enacted, with suitable amendments, so as to facilitate the development of an already competitive, strictly-regulated and profitable gaming market.

Separation of Deluxe Film and Deluxe Media
A process to sell Deluxe Media is already under way. While the separation for Deluxe Film is more complex, the Board remains convinced of the strategic merit in separating Deluxe Film from the rest of the Group and continues to work towards achieving this goal.

International Accounting Standards
In accordance with regulations issued by the European Parliament in 2002, Rank is preparing for the adoption of International Financial Reporting Standards (IFRS) as its primary accounting basis.

Overall, while a full assessment has yet to be completed, it is not expected that there will be a material impact on the reported profits of the Group as a result of the adoption of IFRS.

Our strategy

The Board's primary objective is to continue to deliver attractive returns for shareholders through a combination of income and capital growth – since 2000, the Group has delivered a total shareholder return of over 90%. Having completed a thorough investigation of the possible separation of both Deluxe Film and Deluxe Media, the Board has announced that whilst Deluxe Media is to be sold, the route to separating Deluxe Film is more complex and remains work in progress.

Following the proposed sale of Deluxe Media, the specific business strategies for each of the remaining businesses will include (i) growing Gaming, primarily through organic development; (ii) growing Hard Rock, by continuing to exploit the strength of the Hard Rock brand through selective opportunities both in the Americas and throughout the world; (iii) expanding Deluxe Film's customer base through the continued development of its creative services business as well as through entry into new geographic markets; and (iv) optimising the Group's financial structure so as to ensure that total returns are maximised. The individual business strategies for each of the Group's businesses are as follows:

Gaming

The Group's gaming business has 156 licensed properties in the UK with some 3.4m square feet of covered space. With 4.6m registered bingo customers and approaching 1.2m registered casino members, the Board believes that there are a number of opportunities to expand the Group's gaming operations under the current law, through investment in new developments as well as the relocation of existing licences to bigger and better premises.

The nature and pace of development of our Gaming business going forward will inevitably be influenced by the outcome of the Gambling Bill which is currently before the UK Parliament. The latest announcement by the UK Government regarding a proposed national policy for casinos represented a major shift from the proposals originally set out in the Gambling Bill. Assuming that there are no further changes to the Bill, Rank intends to apply for a number of the new licences, none of which are expected to be operational before 2008 at the earliest. The Group will continue to explore opportunities internationally, including Spain where the Group already has 11 bingo clubs.

Hard Rock

The Hard Rock business has 122 cafes worldwide, of which 69 are owned and 53 operate under franchise arrangements. With activities in 41 countries, management believes that "Hard Rock" is one of the most widely recognised leisure brands in the world, and that substantial opportunities exist for the brand, in restaurants, hotels and casinos. The strategic focus is therefore to continue to support the brand through selective investment in the owned cafe estate, but with a much greater focus on expanding the restaurant operations through the increasing use of franchised cafes, which requires little or no capital investment.

In non-restaurant activities, the Board will continue to seek opportunities to extend the brand into hotels and casinos, again with minimal capital investment, and is actively exploring a number of exciting projects in both areas.

All of Hard Rock's operations, whether owned, franchised or licensed, share the common themes of rock and roll music and quality service with attitude!

Deluxe Film

Deluxe Film has been in operation since 1915 and is one of the world's leading suppliers of products and services to the motion picture industry. Its activities are now focused into two complementary businesses: film processing and distribution, and creative services. With operations in North America, the United Kingdom, Italy, Spain and Australia, Deluxe Film is a truly international enterprise, providing a range of skills and services to major Hollywood and international film studios alike. Its business strategy is founded upon the delivery of outstanding customer service and innovative products and services through efficient low cost operations. The business continues to develop a broad and complete service offering, thereby providing an end-to-end solution to all of its existing and new customers. Expanding its customer base in existing as well as new markets through international expansion, as well as the introduction of new innovative products, is another key element of the business strategy. Deluxe Film is also taking steps to ensure that it is well-placed to manage the eventual transition by motion picture production to digital rather than analogue technologies; and, should it ever become a realistic prospect, the advent of digital cinema exhibition.

Gaming the right location

Mecca Bingo The Easterhouse Club in Glasgow is an excellent example of a recent relocation.

Mecca Bingo – Bolton Adjacent to a new Grosvenor Casino, the relocated Mecca opened in November 2004.

Hard Rock Casino – London Just off Leicester Square in central London, the Hard Rock Casino has up to 5,000 admissions per week.

Grosvenor Casino – Stoke-on-Trent Open in August 2004, this new casino has 10 gaming tables and covers 16,000 square feet.

The Blue Square Shergar Cup A regular feature of the summer flat racing calendar.

Blue Square The acquisition of Heathorns provided access to on-track betting.

Mecca Bingo – TV advertising During 2004, Mecca increased its advertising and promotional spend by £1.7m to £21.8m.

Rank's gaming business comprises Mecca Bingo, Grosvenor Casinos and Blue Square in the UK, as well as 11 bingo clubs in Spain and 2 casinos in Belgium.

With almost six million registered customers, over nine thousand employees and 156 licensed premises covering some 3.4m square feet, it is one of the UK's largest gaming businesses.

Grosvenor Casino – Bolton Open in November 2004, this new casino covers 30,000 square feet offering a full range of table games.

Total operating profit*

£114.8m

Net operating assets

£443.4m

*before goodwill amortisation

Blue Square – online gaming Offers interactive sports-betting, games, casino gaming and a poker room.

"Having invested over £550m in our UK Gaming business over the past ten years, the quality and geographic spread of our estate is a key factor behind our success. During 2005, we plan to continue to relocate existing licences to bigger and better premises, as well as apply for new licences."

David Boden Managing Director of Gaming

Bingo

Operating profit[1] up 1% to £78.2m
Solid performance in the UK and strong growth in Spain

Improved trends in UK admissions
Removal of admission charges and a new tax regime in the UK helped to halt the decline in attendance which was up 1% year-on-year in the second half of 2004

4% increase in average spend per head in the UK to £11.49
Long term trend of increasing spend per head continued in 2004

48% of active membership[2] is now under 45 years old
The 18-24 age group is the fastest growing segment within the total active[2] UK membership of 1.1m

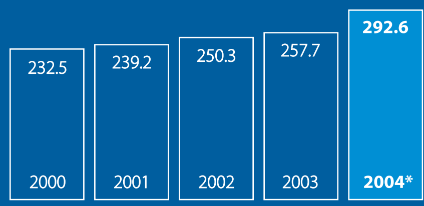
Spanish operations' operating profit up 13% to £7.7m
All of the existing clubs delivered good growth during the year and a further club was acquired in December 2004, taking the total to 11

[1]restated for FRS 17
[2]visited at least once in the past 12 months

"Our bingo business has continued to demonstrate its long-standing trend of inflationary top-line growth. The removal of admission fees in October 2003 and the introduction of a new gross profits tax regime in the UK have combined to improve trends in admissions. Spain continues to be an exciting and expanding opportunity for us."

David Boden Managing Director of Gaming

Total turnover
£m



Turnover
£292.6m

Operating profit
£78.2m

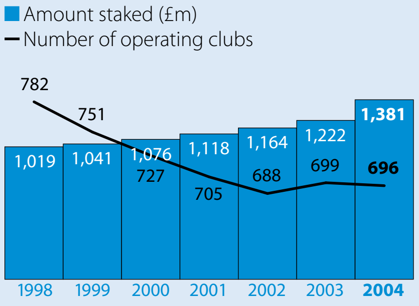
*after gross profits tax

Bingo – Interval games Mecca has over 80,000 interval game positions, generating over £100m per annum in revenues. A rapid-fire bingo game, interval games are a major source of revenue and profit for Mecca.

Market insight

As at 31 March 2004, there were 705 licensed bingo clubs of which 696 were operating in the UK (600 in England and Wales and 96 in Scotland).

While the number of clubs has declined from its peak of over 1,800, the industry has continued to generate positive growth in the total amount staked, reaching £1.4bn in the 12 months to March 2004, a 5% increase over the previous year. Part of this increase reflects the change in the way bingo is taxed which is highlighted below and which resulted in a greater increase in reported revenues in the year to March 2004 than in previous years.



Source: Gaming Board Annual reports
Note: Amount staked does not include cash staked on gaming machines

Market structure

The UK Bingo market is made up of two major players, Gala and Mecca, who between them have over 40% of the clubs operating in the UK but who, according to the National Game statistics, generate approximately 70% of total stakes.

Company	Number of clubs
Gala	165
Mecca	**121**
Bourne Leisure	55
Top10	25
Carlton	19
Others	311
Total	696

Source: Gaming Board 2004 Annual Report

Taxation

The UK Government introduced a new system for taxing bingo on 27 October 2003. Previously, customers incurred a 10% duty charge on their stake money and operators also paid Value Added Tax at 17.5% on their retained income, i.e. net of prize money. Under the new regime, and in the same way as sports betting and pools betting are taxed, customers no longer incur a deduction on their stakes but operators must now pay 15% on retained income. However, unlike sports betting and pools betting, operators pay the 15% after the deduction of VAT and any added prize money. The industry hopes that this anomaly will soon be removed thereby allowing higher prizes for the benefit of all bingo customers.

Gaming machines

In addition to traditional bingo games, bingo clubs in the UK typically offer three types of gaming machine: (i) jackpot machines (ii) amusement with prizes machines (AWPs) and (iii) Section 21 machines. As at 31 March 2004, there were 19,616 gaming machines in UK bingo clubs.

- Jackpot machines – operators can install up to four of these machines in each bingo club. They have a maximum stake and prize of 50p and £500 respectively. Whilst the majority of installed machines have a payout of £250, as this results in greater frequency of payout, operators are now moving towards more £500 machines.

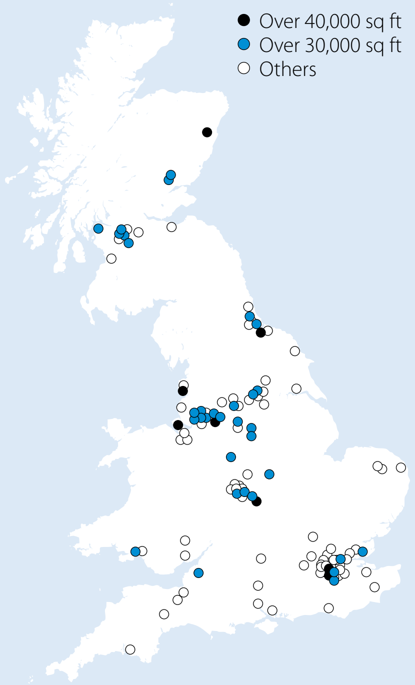
- AWPs – operators can install as many of these machines as they want, subject to the approval of the local licensing authority (currently the local magistrate's court). AWPs have a maximum stake and prize of 30p and £25 cash payout.

- Section 21 machines – so-called because they are licensed under Section 21 of the 1968 Gaming Act, these machines are similar to AWPs in that they have a maximum cash prize of £25 but are allowed to have higher stakes (up to 50p) and can also pay out non-cash prizes up to an aggregate of £500.

Mecca UK in focus

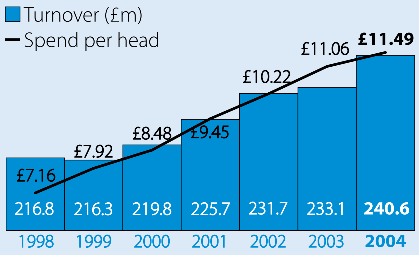
UK locations

Mecca has 120 clubs across the UK with a total covered square footage of approximately 2.9m square feet.



Mecca UK:

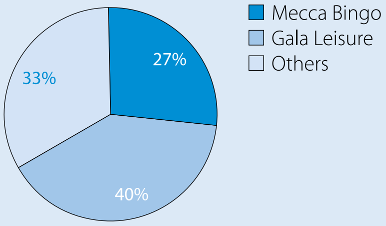
revenue* and spend per head trends



*before impact of gross profits tax

Market share

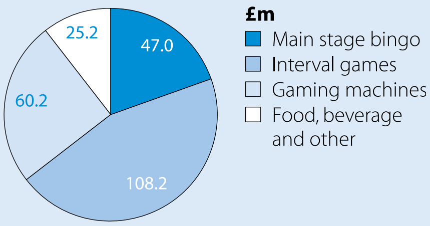
Based on the weekly sale of National Game tickets, the market shares for both Mecca and its largest competitor, Gala, are shown below.



Source: National Game – December 2004

Since the acquisition by Gala of a number of clubs in 2000, the market has been relatively stable with both Gala and Mecca representing between 60% and 70% of the market.

Analysis of 2004 UK bingo turnover*



*before gross profits tax

Looking forward to 2005

Having relocated a number of bingo clubs during 2004 (Bolton, Burton, Ellesmere Port and Glasgow Easterhouse), the process continues with plans to relocate our bingo club in Edinburgh and at the same time to make it our first all-electronic bingo club. New licences in Paisley, Crewe and Thanet are expected to open in 2006. Our trials of the Section 21 roulette machines in a number of our clubs continue and we now have a total of 60 such machines across the estate.


Electronic roulette

Casinos

Operating profit[1] up 11% to £33.8m
Operating margins were slightly higher, reflecting a strong win margin in the London mid-market casinos and a marked improvement in Belgium

UK casino membership up by 30%
Following the introduction of new identification rules in March 2004, Grosvenor membership has increased substantially to 1.2m

Total stakes reached £1bn for the first time
Total stakes increased by 5% over 2003

2 new casinos opened making a total of 36 casinos in the UK
Both Stoke and Bolton opened during the year and new licences have been granted in Dundee and Swansea

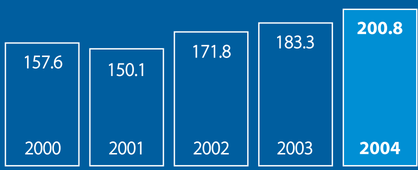
Belgian casinos' operating profit up to £1.7m from £0.3m in 2003
The two casinos have seen improved attendance and spend following the introduction of gaming machines during 2004

[1]restated for FRS 17

"The programme of investment which we started back in 1997 continued during 2004. In total, we have relocated 10 of our existing venues to bigger and better premises, substantially refurbished six properties, and opened six new casinos so that approaching two-thirds of our casino estate is now either new or has been substantially refurbished. The quality of our facilities is a key success factor and one which has already delivered handsome returns."

David Boden Managing Director of Gaming

Total turnover
£m



Turnover
£200.8m

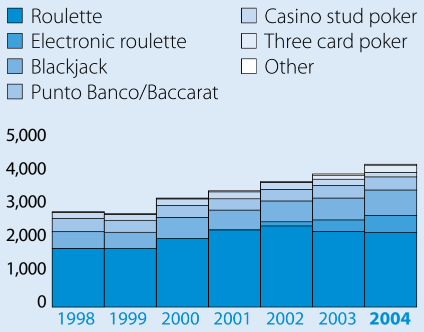
Operating profit
£33.8m

Grosvenor Stoke-on-Trent – Roulette The new casino in Stoke-on-Trent opened in August 2004. Covering over 16,000 square feet, it has 10 gaming tables, 16 electronic roulette positions and 10 high payout slot machines.

Market insight

After many years of little or no change in the number of casinos in the UK, since 2001 the number of casinos operating has increased by 11%. In the year to March 2004, there were 143 licensed premises, of which 131 were trading at that date. This compared with 115 trading casinos in 1998 and 118 in 2001. Since that time the total amount staked in UK casinos has continued to grow. A summary of the mix of games by total amount staked is shown below.

Total gaming stakes £m



Source: Gaming Board of Great Britain

Market structure

There are a number of major players in the UK casino market. The table below illustrates the overall ownership structure and how it has changed over the last three years (the figure in brackets shows the number of London casinos included within the total).

Company	2001/2	2002/3	2003/4
Stanley Leisure	33 (3)	41 (3)	42 (4)
Grosvenor Casinos	**34 (6)**	**34 (6)**	**36 (6)**
Gala	27 (6)	29 (6)	30 (6)
London Clubs	10 (6)	10 (6)	9 (5)
Others	26 (3)	21 (3)	26 (3)
Total licences	130 (24)	135 (24)	143 (24)
Total operating	122	126	131

Source: Gaming Board of Great Britain

Electronic roulette

Since being introduced in 2002, electronic roulette has proved to be very popular with new and regular playing customers alike. In the year to March 2004, electronic roulette represented approximately 12% of total stakes, or £477m.

UK Gambling Bill

The most significant clauses affecting the Group's activities are in relation to casinos:

Abolition of membership and the 24 hour rule

Currently visitors to UK casinos must either be a member of that facility or must be in the company of a member. If not a member, a new customer can join the casino but must then wait 24 hours before being allowed in to play. The new regulations will allow people to enter and play in casinos straight away, subject to being able to provide formal identification before entering.

Casinos to be able to advertise for the first time

Currently, UK casinos are not allowed to promote their activities through conventional advertising. The proposed new regulations will allow operators to stimulate demand through advertising, subject to a code of conduct to be determined by the Gambling Commission.

Cap on the number of new casinos

It is proposed that there will be a maximum of 24 new casinos allowed, pending a further review. This will comprise 8 small casinos, 8 large casinos and 8 regional casinos. The locations of these new casinos is not expected to be known until the end of 2006.

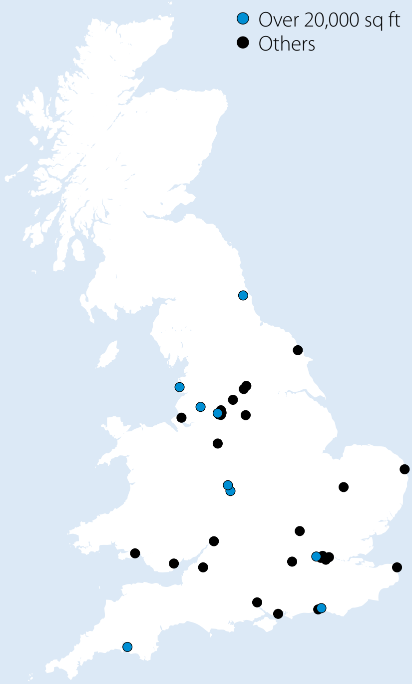
Increased numbers of gaming machines

It is proposed that each of the new casinos licensed following the enactment of the Bill will be entitled to operate a greater number of gaming machines than existing casinos, as well as, in the case of regional casinos, unlimited payout machines rather than those limited to a £2,000 prize.

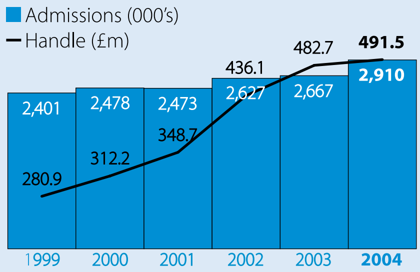
Grosvenor in focus

UK locations

Grosvenor operates 36 casinos across England and Wales using the Grosvenor and Hard Rock brands. With a total of 398 gaming tables, 626 electronic roulette terminals and 287 gaming machines, Grosvenor is one of the UK's leading casino businesses.

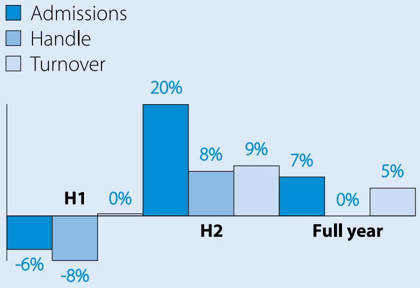


UK provincial casinos:
admissions and handle (stakes) trends



2004 - H1 versus H2*

The UK provincial casinos were impacted in the first half of 2004 by the introduction of new identification rules, a number of competitor openings and increased numbers of fixed odds betting terminals on the high street. The second half saw a marked improvement in performance:



*Excluding Stoke-on-Trent and Bolton which opened in 2004

Looking forward to 2005

Irrespective of the outcome of the Gambling Bill, we plan to continue our programme of improving the quality of our existing premises. 22 of our 36 casinos in the UK are either brand new or have been extended and, even under the current law, have delivered strong returns. During 2005 we plan to relocate our Bury New Road casino in Manchester and open new licences in Dundee and Swansea in 2006.


Blue Square call centre – Highbury

Interactive

Gross win up 11% to £25.6m[1]
While the launch of new gaming products affected overall gross win margins, margins in sports betting were ahead of 2003

Total stakes up by 13%[1]
The launch of the new Blue Square casino and Blue Square poker room attracted a substantial increase in the level of stakes

Sports betting gross win up by 10%[1]
An increase in customer volume but lower average bet size helped to increase gross win margins in both internet and telephone betting

Heathorns' track betting now fully integrated
On track betting has proved to be a valuable addition to the Blue Square business

First Blue Square betting shop to open during H2 2005
Adjacent to the Group's Victoria Casino on Edgware Road London, the new shop will aim to "break the mould" of UK betting shop formats

[1]proforma assuming Rank had owned Blue Square for the full year in 2003

"Blue Square has made further progress in 2004. The investments made in developing new products such as the Blue Square Casino and Poker Room will continue in 2005, and we continue to believe that we are well placed to exploit the strong demand for quality interactive betting products."

Martin Belsham Managing Director of Blue Square

Total gross win
£m

Turnover
£439.6m

Gross win
£25.6m

*proforma

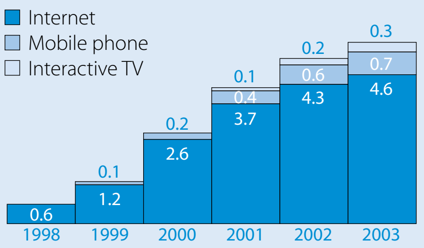
Blue Square online gaming – Poker Room Launched in 2004, the Blue Square poker room is open 24 hours a day, seven days a week. Available through bluesq.com, existing customers can use their existing account to play online.

Market insight

Size of market

One of the biggest challenges in looking at the interactive betting and gaming market is estimating the size of the market as a whole. Technology means that the potential for this market is truly global. It is estimated to have generated between US$5bn and US$6bn of gross win in 2003 and the market has grown strongly since 1998.

Global gross win (US$bn) for interactive gaming channels



Source: Global Gaming and Betting Consultants

There are three distinct distribution channels for interactive gaming and betting: internet, mobile telephone/handheld devices and interactive TV. Internet is estimated to be the biggest individual segment, representing some 80% of the total.

Telephone betting (i.e. placing bets over the phone using either credit or debit cards) is another important channel used by many interactive betting and gaming companies. It is estimated that, for 2003, this alone represented approximately US$3bn.

Market structure

The rapid growth of the online and interactive gaming market has resulted in a large number of companies entering the market, offering customers a broad range of traditional sportsbook, casino games as well as other fixed odds games. The rapid growth of poker has served to boost the number of different operators even further. The sheer number of operators together with regulatory differences (see below) make it difficult to derive any meaningful market share data.

Regulation

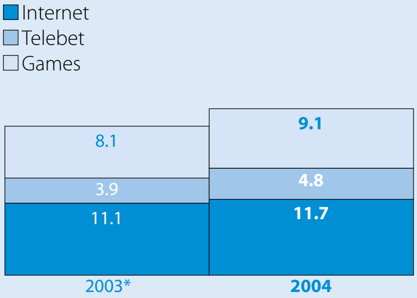
Currently a number of jurisdictions around the world either do not yet have a suitably robust regulatory framework in order to cater fully for interactive gaming, or do not allow it at all. In the UK, whilst sports betting can be conducted over the telephone or interactively via the internet or other channels from UK-based servers, casino gaming over the internet is illegal. Under the Gaming Act 1968, the customer must be physically present at the location where the gaming takes place. As a result, UK operators are only able to offer online casino gaming via offshore servers. The UK Government's proposals for a new Gambling Bill aim to embrace new technology so that, once enacted, online casino gaming will be allowed to be conducted from UK-based servers. Many companies have indicated a desire to bring their businesses back to the UK, subject to an appropriate tax treatment of online gambling businesses.

Outside of the UK, one of the biggest potential online gaming markets is the United States. While, at present, US legislation does not allow operators to offer bets either online or over the telephone, the current law does not prevent a US person from placing a bet online or over the telephone. As a result, the current position for operators operating online gaming businesses is unclear. Some overseas operators accept bets from US persons while others, who believe that there may be a risk of legal challenge by the US Government, do not. Blue Square does not take bets from US persons.

Blue Square in focus

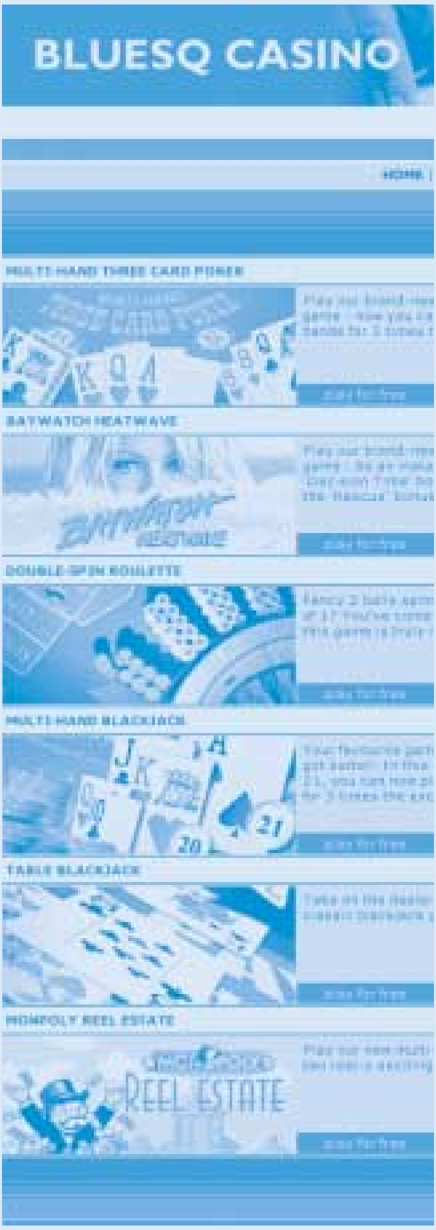
Despite having only been formed a few years ago, Blue Square is already one of the UK's leading interactive sports betting and telephone betting businesses, providing sports betting and fixed odds games through a variety of distribution channels including the internet, over the telephone to a dedicated call centre, and through interactive television. A summary of the mix of gross win between Internet, Telebet and Games for the year to December 2004 versus 2003 is shown below:

Blue Square: Gross win 2004 versus 2003 (£m)



*proforma assuming Rank had owned Blue Square for the full year

During 2004, Blue Square launched two new gaming products: an online Blue Square Casino and a Blue Square Poker Room. Both online casinos and poker rooms have already proved very popular products in the UK and Blue Square hopes to capture a share of this rapidly growing market.



Looking forward to 2005

Further investment in the development of new games and products continues, as does the drive to broaden the brand's market penetration and customer appeal.

The opening of the first Blue Square betting shop in London's West End will be a major step for the business and will allow the development of an exciting new revenue stream.

Hard Rock the right brand

Hard Rock Cafe Opened in 2003, the Detroit cafe has become one of the city's hottest venues.

Hard Rock Cafe Opened in November 2004, Hurghada, Egypt is one of eight new franchised cafes.

Hard Rock Live! The Darkness performing at Hard Rock Live! in Orlando as part of the MTV taping series.

Hard Rock Live! Joss Stone performing at Hard Rock Live! in Orlando as part of the MTV taping series.

Seminole Hard Rock Hotel & Casino Hollywood, Florida grand opening, May 2004.

Seminole Hard Rock Casino There are 2,000 Class II gaming machines in Hollywood, Florida and 1,800 in Tampa.

Hard Rock, one of the most globally recognised music, entertainment and dining brands, has 122 signature Hard Rock Cafes in 41 countries and owns the world's greatest collection of music memorabilia. With over 50 million guests per annum, the brand's appeal is driven by the consistent delivery of an unforgettable and unique experience that we call "kick ass service".

Hard Rock Cafe The first franchised cafe in Athens, Greece opened in September 2004.

Total operating profit*

£27.8m

Net operating assets

£98.8m

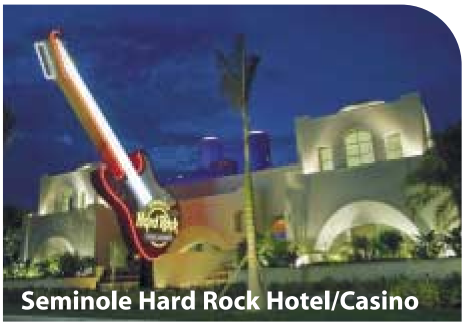
*before exceptional items

Hard Rock Hotels The Reina Victoria Hotel will reopen as the Hard Rock Hotel Madrid later in 2005.

"The sheer strength of the Hard Rock brand has already been demonstrated by the success in extending the brand into non-restaurant activities such as hotels and casinos. This remains a core strategy for the business whilst at the same time continuing to drive owned and franchised cafe performance."

Hamish Dodds President and CEO of Hard Rock

Seminole Hard Rock Hotel & Casino Tampa – opened in March 2004.



Seminole Hard Rock Hotel/Casino

Hard Rock

Operating profit up 20% to £27.8m[1]

Operating margins were ahead of last year, reflecting improved cost controls in the owned cafes and first time contributions from new licensees

Owned cafe sales up by 6%[2], with like-for-like sales also positive

New cafes as well as like-for-like outlets performed well during 2004

13 new cafes opened during the year

Four new cafes opened in the US and a further nine opened in international markets

Two major hotel casino developments opened in Florida

The two Seminole licensed hotel/casinos in Tampa and Hollywood, Florida opened on time in March and May respectively and are performing in line with expectations

Further hotel deals announced

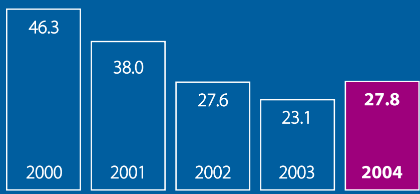
Plans for new Hard Rock Hotels in New York and Madrid were announced during 2004 and further hotel projects are planned

[1]before exceptional items
[2]constant currency

"Against a background of improving performance in the cafes, over US$1bn of investment by third parties has been made in Hard Rock branded developments. As we look forward to 2005, we are already engaged in a number of exciting new projects which we are confident will continue to enhance the value of our brand throughout the world."

Hamish Dodds President and CEO of Hard Rock

Total operating profit*
£m



Turnover
£232.0m

Operating profit*
£27.8m

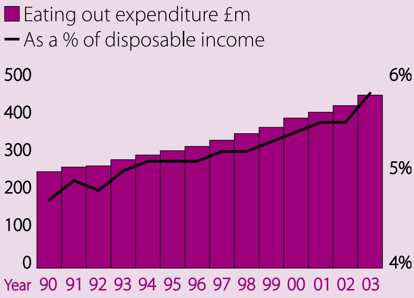
*before exceptional items

Hard Rock Cafe – London There are 122 Hard Rock Cafes in 41 countries around the globe.

Market insight

The US dominates the global restaurant market and with over 900,000 locations is the largest individual market in the world. According to the National Restaurant Association, the US restaurant Industry is expected to generate sales of approximately US$476bn in 2005, a 4.9% increase over 2004.

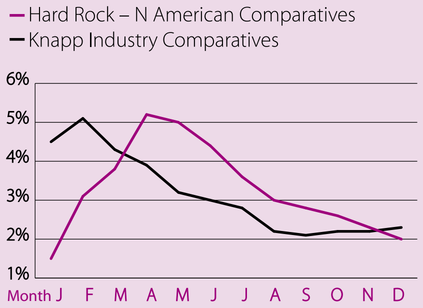
Based upon US Department of Agriculture statistics, the trends on eating out in the US have continued to grow both in absolute terms as well as relative to overall disposable income.



Hard Rock falls within the casual dining sub-segment of the restaurant market. This part of the industry has benefited from a long term trend towards eating out. This growth has been attributed in part to increasing disposable income, number of dual income families (and an increase in the proportion of women in the workforce), increasingly hectic lifestyles, expanding urban populations, and a decline in the price difference between eating out and cooking at home.

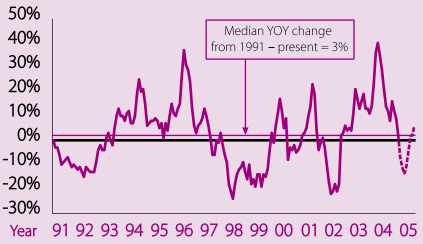
While the industry performance during 2004 versus 2003 was particularly strong during the first half, this outperformance has been eroded during the second half with operators also citing increased food costs as impacting on profit margins. Industry data, provided by Knapp Track, showing like-for-like sales during 2004 versus 2003 is illustrated below, together with Hard Rock's own performance in North America.

Like-for-like restaurant sales:
2004 versus 2003 (%)



Food costs
While all restaurants face a range of different cost pressures, the following chart provides an indication of the recent trends of food costs, based on a basket of restaurant commodities including hogs, pork bellies, boxed beef, broilers, wheat, coffee, butter, corn and cheese. The median year-on-year increase since 1991 is 3%.

Restaurants Commodity Index
Year-on-year (YOY) % change

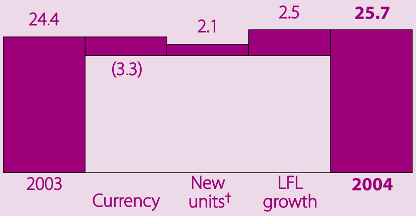


Source: Goldman Sachs

Hard Rock in focus

Since the first Hard Rock Cafe opened in London in 1971, the brand has developed into one of the world's most recognised leisure businesses with operations in 41 countries around the world. The average Hard Rock cafe accommodates around 250 guests at any one time, 70% of whom are likely to be visitors, and generates over £3m in revenue. In 2004, owned cafes delivered a strong performance although adverse currency movements held back operating profit to £25.7m.

Owned cafe operating profit*
2004 versus 2003 (£m)



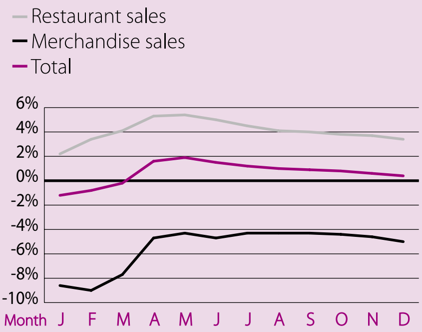
*before exceptional items
†including the impact of openings in 2003 and 2004 and pre-opening costs

Restaurant performance

After a period of challenging market conditions with low levels of tourist traffic and air travel, 2004 appears to have marked a watershed in like-for-like performance. The start to 2005 has also been encouraging.

While the Group continues to add limited numbers of owned cafes to the portfolio, the focus now is to continue to develop and promote the Hard Rock brand by the development of cafes, hotels and casinos through franchise and licensing arrangements.

Like-for-like sales:
2004 vs 2003 (%)



Hotel and casino developments

The Group's joint venture with Sol Meliá SA has continued to make good progress on the development of a portfolio of Hard Rock Hotels around the world. During 2004 a further two hotels were announced, one in New York and one in Madrid, and work has already commenced on reconfiguring both properties which are expected to open by the end of the year.

The two Hard Rock hotel/casinos located on land owned by the Seminole Indian Nation of Florida opened during the year. Both facilities are world class in terms of product offering, and have already made a substantial contribution to Hard Rock's operating performance, despite having only been open for part of the year. Work on a new hotel/casino in Biloxi, Mississippi is proceeding well and it is expected to open before the end of the year.

Looking forward to 2005

2005 will see a full year's profit from the two Seminole Indian properties for the first time, as well as contributions from the hotels in Chicago, New York and Madrid. As a result, we expect that revenues from hotel and casino licensing should become increasingly important, reducing our exposure to variations in travel and tourism trends. Having steered a course through the very difficult market conditions over the past few years and improved the quality of our earnings through the addition of new revenue streams, we are looking forward to the coming year with confidence.


Lemony Snicket

Deluxe Film

Operating profit[1] down 22% to £60.4m
2004 was a disappointing year in financial terms following two particularly strong performances in 2002 and 2003.

Overall footage affected by weaker film market
The full year impact of the loss of two major film contracts in 2003 and a lower number of major titles in North America resulted in a 9% reduction in film footage

Record number of digital intermediates by EFILM
EFILM worked on 29 major titles using digital intermediates during 2004 including Spider-Man 2 which was the first full-length feature produced using 4K resolution technology

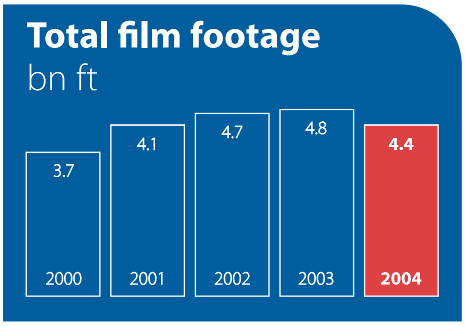
Formation of Creative Services division
Having purchased the remaining 80% of EFILM not already owned and added the compression, encoding and authoring businesses from Deluxe Media, Creative Services represents 17% of Deluxe Film operating profit[1]

Expansion of compression, encoding and authoring
The acquisitions of DVCC and Softitler further enhanced Deluxe's position in the fast growing DVD mastering, and compression, encoding and authoring business

[1]before goodwill amortisation

"Whilst we suffered a reduction in volumes in 2004 we see this as temporary and remain confident regarding the long term prospects for the film processing business. Our creative services businesses showed strong growth in 2004, and we are excited about their future prospects."

Cyril Drabinsky President and CEO of Deluxe Film



Turnover

£366.6m

Operating profit*

£60.4m

*before goodwill amortisation

Spider-Man 2 was one of the biggest movies of 2004. EFILM produced the digital intermediates and Deluxe Laboratories produced the film prints worldwide.

Deluxe Media

Deluxe Media faced a challenging year in 2004. Having restructured the business, it is now focused on the manufacture and distribution of DVD, CD and VHS both in Europe and North America.

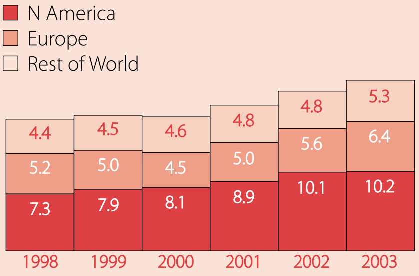
During 2004, the business manufactured 232m DVD (2003 – 162m) and 89m VHS units (2003 – 160m) and distributed a total of 649m units to retailers (2003 – 523m). Despite these increases in volume, the loss of a major DVD contract during 2004 meant that the business had to take steps to reorganise its business and focus on its core skills of manufacturing and distribution. Having rationalised a number of its production and distribution facilities, the business is actively seeking additional contracts.

In February 2005, the Group confirmed its intention to separate Deluxe Media from the rest of the Group by means of a sale.

Market insight

The film processing and distribution industry is a subset of the wider motion picture industry which has enjoyed strong revenue growth over the past five years. Global gross box office revenues are estimated to have increased by some 9% to US$21.8bn in 2003, driven by strong growth in Europe where box office revenues increased by 15% to just under US$6.4bn. Early indications for 2004 data are that global box office increased further to over US$23bn.

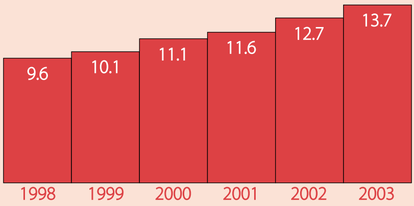
Global box office revenues (US$bn)



Source: Screen Digest

The largest single market is North America which represented some 47% of global box office revenues in 2003. Against this background of strong box office growth, the total footage of film processed has also grown strongly. Industry estimates are that since 1998 this has grown by over 50%, from 9.6bn feet in 1998 to 13.7bn feet in 2003.

Total 35mm processed (bn ft)



Source: Deluxe Film estimates

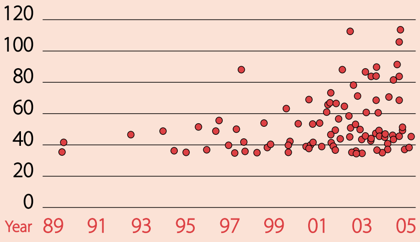
Growth drivers

Key factors influencing overall footage growth include the number of screens available within a given territory, the number of films produced, the amount spent on marketing and promotion, and the degree of competition amongst film distributors to have their films shown at the box office. Each of these factors will combine to determine the release pattern chosen by the film distributor i.e. the number of screens showing the film in any particular territory at one time and therefore the number of prints required per title.

After a consistent period of growth since 1999, 2004 saw a drop in prints per title for the first time. This was due to a substantial reduction in the number of major titles released during the year. Compared with 31 titles in 2003, only 18 such titles were released in 2004, reflecting a weaker film schedule for a number of Deluxe Film's studio customers.

In recent years, the number of blockbuster titles released in any single year has increased substantially. This is demonstrated by the following chart which illustrates the top 100 films of all time in terms of opening weekend box office revenues.

Opening weekend box office revenues (US$m)



Source: Variety.com

One implication for the film processing industry is that the timing of release and number of blockbuster titles in any financial year can have a material impact on overall financial performance. While the trend appears to indicate that the film studios are keen to maximise revenues on the opening weekend, a reduction in the number of major titles released by its major customers in 2004 resulted in an overall reduction in Deluxe Film's total footage during the year.

Deluxe Film in focus

Established in 1915, Deluxe Film is now one of the world's leading suppliers of products and services to the international motion picture industry. Its activities are split into two distinct business activities: film processing and distribution, and creative services.

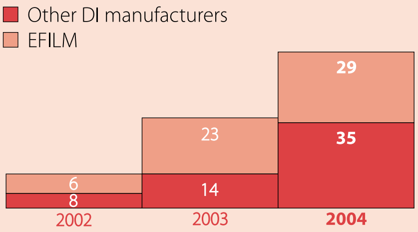
Film processing and distribution

Having processed 4.4bn feet of 35mm film in 2004, Deluxe Film is one of the world's largest processors of film for the motion picture industry with film laboratories in Los Angeles, Toronto, London, Rome, Barcelona and Sydney. In terms of film processing contracts, Deluxe Film has a relatively broad customer base compared with its main competitor, Technicolor (owned by Thomson SA), and currently has contracts with Fox (for North America only), MGM, Miramax, New Line, Paramount and Sony.

Creative services

The acquisition of the remaining 80% of EFILM not already owned by Deluxe Film and the addition of the DVD compression, encoding and authoring (CE&A) business represent important developments for Deluxe Film. EFILM operates one of the most advanced digital film laboratories in the world and specialises in the production of digital intermediates and other post-production services. Its services are already setting the standards in terms of post-production techniques and this is reflected by the growth in the number of titles using digital intermediate technology in recent years. During 2004 EFILM worked on a number of major titles including Spider-Man 2, Ocean's Twelve, The Passion of the Christ, The Bourne Supremacy and The Day After Tomorrow.

Number of major titles produced using digital intermediates



Source: Deluxe Film estimates

Following the acquisition of DVCC during 2004, Deluxe now has one of the largest CE&A operations in the industry, providing a complete one-stop turnkey solution for DVD front-end services to studios and music labels around the world. With facilities in Moosic Pennsylvania, Burbank California, and London England.

Looking forward to 2005

In film processing and distribution, the year has begun well with a number of major titles including Hitch and Son of the Mask. The rest of 2005 is also looking strong with titles such as XXX2 and Fantastic Four expected to be major box office hits. The Group is excited about the expansion of the Creative Services division given its strong market position in the specialist areas of post-production and DVD pre-mastering.

Employees

The Group has a diverse workforce with almost 24,000[1] employees in 13 countries

88% of these are based in the UK and North America

43% of the Group workforce are women

20% of senior executive positions are held by women

25% of worldwide employees work part-time

While this varies by division and geography, 40% of Gaming's employees work part-time

[1]at 31 December 2004

Employees

Whilst Rank has Group-wide human resource policies and principles which guide people management activity across the businesses, because of the diverse nature of the Group, each division will implement programmes which are in line with its individual business strategy. Rank has developed a bespoke capability framework that seeks to identify the core skills that senior management believes are required to meet the challenges faced by each of our businesses over the coming years. This framework consists of 11 capabilities with related behaviours and will be used throughout the Group for recruitment and development purposes at a senior level.

People development is also a key theme within the divisions.

Gaming

2004 was an exciting year of achievement in the development of our Gaming division employees. Extensive training was provided for our top performing managers who are now poised to take the business forward in 2005. The Management Conversion Programme, which enables general managers of Mecca Bingo clubs and Grosvenor casinos to become skilled in managing both types of venue, has been extended to provide an external industry perspective and a number of managers are already well through the programme.

During the year the division achieved a Regional Training Award – one of the UK's most prestigious accolades for excellence in training and people development – for its Certificate in Management Programme (CIM). This programme, which is managed by the Resourcing & Development function, provides future talent for our growing gaming estate. General Managers who have achieved the CIM have made a considerable contribution to our business in terms of profit contribution, people leadership and customer focus.

Another important development during the year was the delivery of a new "e-learning" tool allowing employees to train remotely using interactive technology. This approach will be expanded in 2005 as part of our e-learning strategy to deliver a suite of programmes for all levels of the organisation. In particular, the organisation's approach to Corporate Social Responsibility will be a key feature of the learning provided throughout 2005.

After the excellent results of our Employee Opinion Survey, the Executive Committee published their further commitment to people with a renewed focus on people development, research into the impact of shiftwork, and taking specific action to reinforce a culture whereby all individuals are treated with equal respect. Part of this approach has been delivered by embedding a 360° feedback culture so that development is firmly on everyone's agenda.

Hard Rock

In 2004, Hard Rock established four key areas of focus regarding its employees. The first area is "Culture". During 2004, Hard Rock established a professional business culture that leverages the passion of its people to achieve its stated business objectives. This was done by enhancing financial communications, business goals and results, thus stressing accountability whilst continuing to embrace individuality. The second is "Business Alignment". Following a reorganisation of the senior management structure around four key business segments – Company Operations, Franchise Operations, Hotels, and Casinos – employees underwent a similar reorientation so that there are clear reporting structures and clarity on lines of responsibility. Thirdly, senior management identified the need to secure "Critical positions with the right competencies". Cafe General Managers are recognised as being some of the most critical positions within the organisation, responsible for the interface with our customers; they are the CEOs of their individual business units and in charge of the customer experience. Within the Hotel and Casino business, senior management has identified the need to recruit suitable expertise into the organisation so that opportunities to exploit the brand further in these areas can be maximised. The final area is "Bench building and capability development". With a new management structure, the business is now better placed to broaden its options for succession planning. A formalised development pathway process has been established to develop and broaden business experience for individuals' next position within the company. This will continue to be a strong focus for the coming year.

Deluxe

In Deluxe, key human resources activities and developments during 2004 included the successful integration of DVCC and Softitler. These acquisitions added employees from a number of countries including the United States, Italy, Canada and India. In Film processing and distribution, there has been a reduction in film laboratory staff in Europe, partly through the introduction of a number of new automated processes using new technology, some of it developed in-house, as well as improved preventative maintenance programmes. In the UK, Deluxe Film gained an improved rating in the annual British Safety Council Audit of Laboratory Health and Safety procedures. Deluxe has now achieved a four star rating in 2004 following on from the three stars achieved in 2002 and 2003.

At Deluxe Media in the United States, 2004 saw a focus on employee benefits. Action was taken to increase employee participation in the retirement plan which resulted in a significant increase in participation from 67% to 74% of the Deluxe Media workforce. Another key success during 2004 was the implementation of automated benefit enrolment for Deluxe Media US employees. Everyone was provided with the opportunity to enrol or change their benefit elections through a web-based process.

Health and safety

The Group undertakes an annual assessment of the health and safety risks facing its divisions. Senior management in each division specifically considers health and safety issues as part of this exercise. Actions that may be required to improve the control of health and safety risks are identified and each division sets realistic objectives for areas of improvement for the forthcoming year.

To ensure that the divisions continue to address health and safety issues, an external audit of safety management systems across the Group was undertaken in 2002. The results of the audit have been used to direct actions at Group and divisional level to improve current practice.

The Board takes an active role in monitoring safety performance, assisted by risk management groups in Europe and in North America who are responsible for the co-ordination of health and safety standards across the Group. The activities of these groups continue to promote the sharing of good practice and have resulted in the development of a strong network of safety professionals across the divisions.

The Board

01 **Alun Cathcart** **Non-executive Chairman**
Age 61. Joined Rank as Chairman in May 2001. Alun Cathcart is also Deputy Chairman of Avis Europe Plc, Chairman of Palletways Holdings Limited and Deputy Chairman of Belron International Limited. He first joined Avis Europe in 1980, and as Chief Executive led the company through two successful flotations, in 1986 and again in 1997.

02 **Mike Smith** **Chief Executive**
Age 58. Appointed Chief Executive in April 1999. Mike Smith is also non-executive Chairman of communisis plc. He began his career at the Ford Motor Company, following which he held senior positions at both British Leyland and Grand Metropolitan plc before being appointed an executive Director of Bowater and then Ladbroke Group (now Hilton Group plc) in 1994, where he was Chief Executive of that company's betting and gaming division.

03 **Ian Dyson** **Finance Director**
Age 42. Appointed Finance Director in September 1999. Ian Dyson is also a non-executive Director of Misys Plc. He was formerly Group Financial Controller of Hilton Group plc and previously Finance Director of the Le Meridien Hotels division of Forte Plc, prior to which he was a partner of Arthur Andersen.

04 **David Boden** **Executive Director**
Age 48. Appointed to the Board in March 2005. Joined Rank in 1977 and was appointed Managing Director of Gaming in January 1998 and to the Executive Committee in January 1999. He is a Director of British Casino Association Limited, The National Bingo Game Association Limited and Business in Sport and Leisure Limited.

05 **Peter Jarvis, CBE** **Non-executive Director**
Age 63. An independent non-executive Director since 1995. Peter Jarvis began his career at Unilever and subsequently joined Whitbread Plc in 1976, becoming its Group Chief Executive in 1990 until his retirement in 1997. He has been a non-executive Director of Burton Group Plc and Barclays Bank Plc and until December 2003 was Chairman of Debenhams Plc.

06 **Oliver Stocken** **Non-executive Director**
Age 63. An independent non-executive Director since 1998. Oliver Stocken is also Deputy Chairman of 3i Plc, non-executive Chairman of Rutland Plc, and a non-executive Director of GUS Plc, Novar Plc, Pilkington Plc, Standard Chartered Plc and Stanhope Plc. He joined Barclays Merchant Bank in 1979 as head of its Corporate Finance Division and, following various senior positions in investment banking, in 1993 was appointed Group Finance Director of Barclays Plc, from which he retired in 1999.

07 **John Sunderland** **Non-executive Director**
Age 59. An independent non-executive Director since 1998, he is the Senior Independent Director. John Sunderland is Chairman of Cadbury Schweppes plc, President of the Confederation of British Industry, President of the Incorporated Society of British Advertisers and a Director of the Financial Reporting Council. He joined Cadbury Schweppes in 1968 and, following a succession of senior positions in the UK and overseas, was appointed its Group Chief Executive in September 1996, until May 2003.

08 **Brendan O'Neill** **Non-executive Director**
Age 56. Appointed an independent non-executive Director in October 2004. He is Chairman of RAC Pension Trustees Limited and a non-executive Director of Tyco International Ltd, and of Endurance Speciality Holdings Limited, a Bermudan-based insurance company, and was formerly Chief Executive of ICI Plc until 2003. Prior to joining ICI Plc in 1998, he was Chief Executive of Guinness Ltd, the Guinness Group's worldwide business brewing interest, and a member of the Guinness Plc Board.

09 **Richard Greenhalgh** **Non-executive Director** Age 60. Appointed an independent non-executive Director in July 2004. Previously, Richard Greenhalgh worked for Unilever for over 30 years and was Deputy Director of Personnel for Unilever Plc prior to his appointment as Chairman of Unilever UK in 1998. He retired from Unilever in 2004. Richard Greenhalgh is Chairman of First Milk, Templeton College Oxford, The Council for Industry and Higher Education, and CARE International UK.

10 **Charles Cormick** **Company Secretary**


01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the right team


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Executive Committee

Mike Smith

Ian Dyson

David Boden

Charles Cormick
Age 53. Joined Rank as Company Secretary in 1995. A solicitor, and formerly Company Secretary of Lex Service PLC (now RAC Plc).

Hamish Dodds
Age 48. Appointed to the Executive Committee in March 2004 as President and CEO of Hard Rock division. Joined Rank in 2004; was previously CEO of Cabcorp and President of Pepsico's South American beverage division. Based in Orlando, Florida.

Cyril Drabinsky
Age 47. Appointed to the Executive Committee in September 2001 as President, Deluxe Film Worldwide. Formerly President, Deluxe Laboratories Inc. Joined Rank in 1987. Based in Toronto, Ontario.

Christine Ray
Age 57. Appointed to the Executive Committee as Group Human Resources Director in February 2001. Formerly Human Resources Director of Rank's Holidays Division, having joined Rank following the acquisition of Mecca Leisure in 1990.

Audit Committee

Oliver Stocken – Chairman
Brendan O'Neill
John Sunderland

Finance Committee

Alun Cathcart – Chairman
Ian Dyson
Mike Smith

Nominations Committee

Alun Cathcart – Chairman
Peter Jarvis
Mike Smith
John Sunderland

Remuneration Committee

Peter Jarvis*
Richard Greenhalgh
Oliver Stocken
John Sunderland**

*Chairman to 27 April 2004
**Chairman from 28 April 2004

Summary of results

	Turnover 2004 £m	Turnover 2003 £m	Profit before tax* 2004 £m	Profit before tax* 2003† £m
Gaming	**937.4**	865.7	**114.8**	113.4
Hard Rock	**232.0**	234.0	**27.8**	23.1
Deluxe	**751.7**	788.5	**71.3**	92.7
US Holidays	**32.2**	37.7	**4.2**	6.0
Central costs and other	**–**	–	**(13.2)**	(17.2)
Continuing operations including acquisitions	**1,953.3**	1,925.9	**204.9**	218.0
Net income from associates and joint ventures			**–**	0.4
Managed businesses' interest (net)			**(36.8)**	(31.3)
Profit before tax, exceptional items and goodwill amortisation			**168.1**	187.1
Amortisation of goodwill			**(7.8)**	(6.4)
Profit before tax and exceptional items			**160.3**	180.7
Exceptional items			**(243.6)**	(58.0)
(Loss) profit before tax			**(83.3)**	122.7
Basic earnings per share before goodwill amortisation and exceptional items			**20.0p**	19.2p
Basic earnings per share before exceptional items			**19.0p**	18.2p
Basic (loss) earnings per share			**(19.9)p**	13.3p
Dividend per share			**14.6p**	13.9p

*before exceptional items and goodwill amortisation
†2003 restated for the adoption of FRS 17 decreasing operating profit by £5.0m and profit before tax by £6.6m

Group turnover, as reported, was 1.4% ahead of 2003. This growth was influenced by a number of factors: the net effect of acquisitions and disposals made in 2003 and 2004; the change to a gross profits tax regime in UK bingo which added £24.7m to reported turnover; and the effect of movements in exchange rates which reduced turnover by £67.4m.

Group operating profit before goodwill amortisation and exceptional items was down 6.0%, to £204.9m, largely due to a weaker performance by Deluxe. Adverse currency movements reduced reported profit by £6.0m. After a difficult first half of 2004, Gaming's full year performance was 4.6% ahead of last year (after adjusting for the sale of Rank Leisure Machine Services (RLMS)) with a strong performance in the second half by Grosvenor Casinos and solid results from Mecca Bingo. At Hard Rock, operating profit before exceptional items was up 20.3% to £27.8m, reflecting a combination of improved trends within owned cafes and first time contributions from a number of new licensing agreements, including the two new Hard Rock hotel/casinos in Florida. After a number of years of strong profit growth, Deluxe's operating profit before goodwill amortisation and exceptional items was down 23% to £71.3m (2003 – £92.7m). The loss of two contracts in 2003, and a reduction in the number of major titles released by some of its film studio customers in the second half, were major factors affecting performance, and overall footage for the year was down 9%. At Deluxe Media Services, while overall volumes in both manufacturing and distribution were up on last year, margins were substantially lower due to the continuing effect of the decline in VHS and pricing pressure in both DVD replication and distribution.

Managed businesses' interest payable before exceptional items was £5.5m higher than last year at £36.8m. This was due to higher debt levels following the redemption of the outstanding convertible preference shares at the end of 2003.

Earnings per share before goodwill amortisation and exceptional items of 20.0p was 4.2% above last year (after exceptional items and goodwill amortisation a loss of 19.9p). The pre-exceptional effective tax rate in 2004 was 28.0% (2003 – 29.7% restated for FRS 17).

The Group has recorded a pre-tax exceptional charge of £243.6m, of which £19.0m is a cash cost. The charge comprises restructuring costs in Deluxe Media Services of £27.1m, following the loss of a major DVD manufacturing contract in the first half of 2004, a provision for loss on disposal in Deluxe Media Services of £181.4m (including goodwill of £76.7m), a charge of £31.0m in respect of a number of Hard Rock cafes and other assets, and a £4.1m loss principally relating to the disposal of RLMS.

The following table sets out the divisional results and loss before tax, stated after goodwill amortisation and exceptional items:

	Profit before tax	
	2004 £m	2003† £m
Gaming	**112.0**	104.9
Hard Rock	**(3.2)**	23.1
Deluxe	**39.2**	53.0
US Holidays	**4.2**	6.0
Central costs and other	**(13.2)**	(26.5)
Continuing operations including acquisitions	**139.0**	160.5
Net income from associates and joint ventures	**–**	0.4
Non-operating items	**(185.5)**	4.6
Managed businesses' interest	**(36.8)**	(42.8)
(Loss) profit before tax	**(83.3)**	122.7

†2003 restated for FRS 17 decreasing operating profit by £5.0m and profit before tax by £6.6m

Gaming

		Turnover		Operating profit*	
		2004 £m	2003 £m	**2004 £m**	2003† £m
Mecca Bingo	– UK#	**265.3**	233.1	**70.5**	70.7
	– Spain	**27.3**	24.6	**7.7**	6.8
		292.6	257.7	**78.2**	77.5
Grosvenor Casinos	– UK	**188.4**	173.7	**32.1**	30.1
	– Belgium	**12.4**	9.6	**1.7**	0.3
		200.8	183.3	**33.8**	30.4
Blue Square*		**439.6**	371.9	**2.9**	1.9
		933.0	812.9	**114.9**	109.8
Goodwill amortisation				**(2.8)**	(2.5)
		933.0	812.9	**112.1**	107.3
Rank Leisure Machine Services		**4.4**	52.8	**(0.1)**	3.6
Total		**937.4**	865.7	**112.0**	110.9

*before goodwill amortisation and exceptional items
†2003 restated for FRS 17
#2004 turnover includes £24.7m attributable to the introduction of a gross profits tax

Mecca Bingo

	2004	2003	Change %
UK Bingo statistics			
Admissions (000s)	**20,933**	21,066	-0.6
Spend per head (£)	**11.49**	11.06	3.9

On a comparable basis (i.e. after removing the effect of the introduction of a gross profits tax), turnover at Mecca UK was up 3%, despite having removed box office fees which contributed £6.6m in the prior year. After a number of years of falling admissions in the UK, the change to a gross profits tax regime, the removal of box office fees, and an increase in promotional spend, all combined to deliver a 1% increase in admissions in the second half, resulting in a modest decline of just 0.6% for the year as a whole. The change in the admissions trend did not however affect the rate of growth in spend per head which continued to rise at a consistent 4% throughout the year. After restating the prior year to reflect the adoption of FRS 17, UK operating profit was marginally below 2003 at £70.5m, reflecting the recycling of box office fees into lower margin games, an increase in the minimum wage, and an increase in promotional spend.

The split of UK revenue by activity is shown below.

Analysis of UK bingo turnover

	2004 £m	2003 £m	Change %
Interval games	**108.2**	105.8	2.3
Main stage bingo	**47.0**	39.4	19.3
Gaming machines	**60.2**	57.2	5.2
Food and beverage	**21.5**	20.9	2.9
Box office	**–**	6.6	–
Other	**3.7**	3.2	15.6
	240.6	233.1	3.2
Gross profit tax	**24.7**	3.8	
	265.3	236.9	12.0

Mecca now has 120 bingo clubs (East Ham closed in January 2005) with over 80,000 cashline bingo positions, 3,754 amusement with prizes machines (AWPs) and 344 jackpot machines. In addition, it has 60 electronic bingo positions and continues to trial a number of Section 21 gaming machines across the estate. Turnover from interval games and gaming machines was up 2% and 5% respectively compared with 2003.

During the year four bingo clubs were relocated to new premises: Burton, Bolton, Easterhouse (Glasgow) and Ellesmere Port. The Edinburgh Palais will relocate to a new, all-electronic bingo club located at Fountain Park and new licensed clubs will open in Paisley, Crewe and Thanet in 2006.

The Spanish bingo operation continued its trend of positive like-for-like sales and profit growth achieving an operating profit of £7.7m (2003 – £6.8m). A new club at Sabadell, Catalonia, was added in December 2004, taking the total number of clubs to 11.

Grosvenor Casinos

	Turnover		Operating profit	
	2004 £m	2003 £m	**2004 £m**	2003† £m
UK				
London – upper	**23.4**	19.0	**3.8**	3.4
London – other	**56.7**	54.2	**11.3**	9.9
Provincial	**97.3**	91.5	**24.7**	25.5
Hard Rock	**11.0**	9.0	**(0.5)**	(1.6)
Overheads	**–**	–	**(7.2)**	(7.1)
	188.4	173.7	**32.1**	30.1

†restated for FRS 17

Turnover at Grosvenor Casinos in the UK was up by 8% and operating profit was up by 7%. This result was achieved despite the impact of more stringent identification rules imposed by the EU for casino guests, a huge increase in the number of fixed odds betting terminals (FOBTs) in betting shops offering roulette on the high street, and additional competition. The effect of these developments was most noticeable in the first half but had lessened by the second half when the business enjoyed double digit growth in turnover and operating profit.

	Admissions		Handle per head		Win	
	2004 000s	2003 000s	**2004 £**	2003 £	**2004 %**	2003 %
UK						
London – upper	**58**	55	**2,152**	1,901	**18.6**	18.2
London – other	**630**	604	**475**	486	**17.6**	17.3
Provincial	**2,910**	2,667	**169**	181	**16.8**	16.5
Hard Rock	**377**	354	**142**	124	**17.2**	17.5

London – upper: turnover at the Group's two London up-market casinos, the Clermont and the Park Tower, was up 23%, reflecting good growth in volume and handle. However, whilst the Park Tower had an outstanding year following its refurbishment in 2003, an adverse movement in bad debts at the Clermont meant that, combined, profits were only up 12%.

London – other: the Group's three mid-market London casinos saw turnover up by 5% and operating profit up 14%. After a challenging first six months, the Victoria, the Connoisseur and the Gloucester all enjoyed a much more prosperous second half: turnover was up 10% and operating profit was up 30%. This strong performance was driven by a 9% increase in admissions and an improved win percentage.

Provincial: an unusually weak performance at the interim stage was mitigated by a substantial improvement in performance during the second half of the year. The impact in the first half of the new EU identification rules and increased numbers of FOBTs was compounded by a number of new competitor openings in towns and cities where Grosvenor operates a casino. Taken together, these factors affected first half admissions (down 6%), handle (down 8%) and operating profit (down 16%). In contrast, the second half saw like-for-like admissions (i.e. excluding the two new casinos that opened in Stoke-on-Trent and Bolton) up by 20%, handle up 8% and operating profit up 19%.

The two UK Hard Rock casinos made further progress in 2004. London is now profitable and the two casinos taken together broke even during the second half and delivered good growth in handle per head, up 15%, and also attendance, up 6%. This bodes well for the future prospects for the brand within the Grosvenor portfolio. The introduction of live entertainment at the London casino for the first time has been well received and future events are being planned.

In Belgium, changes in the legislation allowing the introduction of slot machines into casinos has had a positive impact on trading. Total revenues were up by 29% and operating profit was up to £1.7m (2003 – £0.3m).

Blue Square

	Turnover		Gross win	
	2004 £m	2003* £m	**2004 £m**	2003* £m
Internet	**159.9**	178.5	**11.7**	11.1
Telebet	**63.7**	77.3	**4.8**	3.9
Games	**216.0**	134.1	**9.1**	8.1
Total	**439.6**	389.9	**25.6**	23.1

*proforma to show Blue Square as if Rank had owned the business for the full year in 2003

The introduction of a new online Blue Square casino in August 2004 and a poker room in September 2004 helped to lift total stakes wagered during the year on a proforma basis by 13% to £439.6m. The new products more than compensated for a decline in internet and telebet stakes, where a reduction in the number of high-roller players has improved the quality of earnings, resulting in gross win margins above last year. Overall, gross win increased by 11% to £25.6m. Reported operating profit before goodwill amortisation and exceptional items increased to £2.9m (2003 – £1.9m).

Hard Rock

	Turnover		Operating profit	
	2004 £m	2003 £m	**2004 £m**	2003* £m
Owned cafes	**215.2**	222.0	**25.7**	24.4
Franchise and other income				
Cafes	**5.6**	6.3	**5.4**	5.8
Hotels and gaming	**10.5**	3.9	**9.9**	5.2
Territory sales	**0.7**	1.8	**0.7**	1.8
Overheads	**–**	–	**(13.9)**	(14.1)
	232.0	234.0	**27.8**	23.1

*before exceptional items

Hard Rock delivered a strong result in 2004. Reported turnover was £2.0m below 2003 after an adverse currency impact of £21.0m. In constant currency, turnover was up by 8%. A much improved performance in the owned cafes, combined with a first time contribution from the two Seminole hotel/casinos, resulted in operating profit up 20% to £27.8m (2003 – £23.1m). This was achieved despite the impact of adverse currency movements which reduced overall operating profit before exceptional items by £2.0m compared with 2003.

Hard Rock like-for-like cafe sales %

	Food and beverage %	Merchandise %	Total %
To 31 December 2004			
North America	2.0	-6.2	-1.0
Europe	8.1	-0.9	4.9
Total	**3.4**	**-5.0**	**0.4**
8 weeks to 20 February 2005	4.8	-4.2	2.2

In the owned cafes, like-for-like sales for the year were driven by a strong recovery in Europe while North America was slightly below last year. Overall food and beverage sales were up 3.4% and merchandise sales were down 5.0%. In the 8 weeks to 20 February 2005 total like-for-like sales were up 2.2%.

Despite the impact of adverse currency movements, profit from owned cafes was up 5%, reflecting tighter cost controls and the contribution from new units. The improvement in profitability was particularly notable in the second half of the year and reflects the results of a detailed review and reassessment of cafe performance with an improved focus on margin management.

Operating profit generated from cafe franchise and other income was down 7% to £5.4m, although in constant currency this was up by 6%. Hotel and gaming franchise income contributed £9.9m in 2004 (2003 – £5.2m), reflecting another strong performance by the Orlando hotel, dividends from the Group's interest in the Universal Rank Hotel Partnership in Orlando, and fees relating to the hotel joint venture with Sol Meliá. In addition, gaming franchise income benefited from the combined fees from the two Seminole hotel/casinos that opened during the year. Both properties are performing well and in line with expectations. Territory fees included Venezuela, Dominican Republic, Canary Islands and Gothenburg.

During the year new owned cafes opened in Bristol, Louisville, Destin (FL) and at Foxwoods. The cafe in Hollywood (FL) was also relocated during the year within the new Seminole hotel/casino. Eight new franchised cafes opened in 2004: Catania (Italy), Buenos Aires, Dublin, Panama, Athens, Hurghada (Egypt), Kuwait and Gothenburg. The closure of franchised cafes in Queenstown, Belfast and Shanghai means that there are now 69 owned and 53 franchised cafes, operating in 41 countries.

Deluxe

	Turnover		Operating profit*	
	2004 £m	2003† £m	**2004 £m**	2003† £m
Film Services	**366.6**	419.9	**60.4**	77.3
Media Services	**385.1**	368.6	**10.9**	15.4
	751.7	788.5	**71.3**	92.7
Goodwill amortisation			**(5.0)**	(3.9)
			66.3	88.8
Associate and joint venture			**0.5**	0.4
Total			**66.8**	89.2

*before exceptional items
†restated for FRS 17 and the transfer of digital services businesses from Deluxe Media to Deluxe Film

Film Services

	Turnover		Operating profit*	
	2004 £m	2003† £m	**2004 £m**	2003† £m
Film processing and distribution	**315.6**	387.3	**49.9**	69.8
Creative services	**51.0**	32.6	**10.5**	7.5
	366.6	419.9	60.4	77.3
Goodwill amortisation			**(3.0)**	(2.3)
Total			**57.4**	75.0

*before exceptional items
†restated for FRS 17 and the transfer of digital services businesses from Deluxe Media to Deluxe Film

Film processing and distribution
Volumes in film processing were down 9% on 2003. This reflects the loss of the Universal and Fox International contracts in 2003 and a reduction in the number of major titles produced by certain studio customers. After taking account of adverse currency movements of £18.8m, the processing and distribution business experienced a 14% reduction in turnover to £315.6m. With Deluxe Film processing 31 major titles in 2003, 2004 had just 18 such titles including Spider-man 2, The Day After Tomorrow and I, Robot. Management believes that the lower number of major titles seen in 2004 was temporary in nature and with a number of major titles scheduled for this year, including XXX2, Son of the Mask and Fantastic Four, it is expected that the trends in footage will return to a more normalised pattern of growth. Operating profit was £49.9m, with currency movements having reduced the reported figure by £4.2m.

Having extended two film contracts during 2004, all of Deluxe Film's contracts are secure until at least the end of 2007, with 77% of 2004 contracted volume secure until at least 2008. The weighted average contract life as at 31 December 2004 was 53 months.

Creative services
Following the acquisition in August 2004 of the 80% of EFILM not already owned and the integration of the digital services businesses, Deluxe Film is now able to offer an end-to-end solution to its studio customers, covering a number of key post-production and pre-DVD mastering services. In 2004, the creative services business increased turnover by 56% to £51.0m and operating profit by 40% to £10.5m. The results for 2004 only reflect a part year contribution from both DVCC and Softitler, which were acquired during 2004. Underlying growth in operating profit, after adjusting for acquisitions, was 24%.

Media Services

	Turnover		Operating profit*	
	2004 £m	2003† £m	**2004 £m**	2003† £m
Video duplication	**60.7**	111.2	**(0.5)**	(9.1)
DVD/CD replication	**199.0**	150.6	**9.2**	13.0
Distribution services	**125.4**	106.8	**2.2**	11.5
	385.1	368.6	**10.9**	15.4
Goodwill amortisation			**(2.0)**	(1.6)
Total			**8.9**	13.8

*before exceptional items
†restated for FRS 17 and the transfer of digital services businesses from Deluxe Media to Deluxe Film

The demand for VHS has continued to decline with just 89m units (2003 – 160m) being produced, leading to a 45% decline in turnover and an operating loss of £0.5m. While volumes in DVD manufacturing were up by 43%, reflecting a full year's contribution from Disctronics, which was acquired during the second half of 2003, margins fell as a result of the loss of a major contract and pricing pressures. While the loss of a major DVD contract, announced in May 2004, had a modest impact on operating financial performance during the year, in the absence of any major contract wins, operating margins and profits will be much lower in 2005.

The continued growth in demand for DVD and the addition of a major new contract were key factors behind the growth in revenues and volume for the distribution business. Total volumes increased by 24% to 649m units (2003 – 523m units) and revenues increased by 17% to £125.4m (2003 – £106.8m). However, increased competitive pressures and larger than expected set-up costs relating to a new customer meant that operating profit fell to £2.2m (2003 – £11.5m).

US Holidays
The US Holidays business generated operating profit of £4.2m (2003 – £6.0m) and net cash of £5.6m (2003 – £7.8m).

Central costs and other

	2004 £m	2003† £m
Central costs	**(15.5)**	(16.0)
Other	**2.3**	(1.2)
	(13.2)	(17.2)

†2003 restated for FRS 17 and before exceptional items

Associates and joint ventures

	2004 £m	2003 £m
Deluxe associates and joint ventures	**0.5**	0.4
Hard Rock Hotel joint venture	**(0.5)**	–
	–	0.4

Deluxe associates and joint ventures comprise the investment in Atlab and EFILM until the remaining 80% of EFILM was purchased in August 2004. The equity interest in the Hard Rock Hotel joint venture with Sol Meliá produced a loss of £0.5m relating to the New York Paramount Hotel.

Managed businesses' interest*

	2004 £m	2003† £m
Interest payable and other charges	**50.1**	46.4
Interest receivable	**(13.3)**	(13.0)
Profit on disposal of Seminole bonds	**–**	(2.1)
	36.8	31.3
Average interest rate	**5.5%**	5.4%

*before exceptional items
†2003 restated for FRS 17

Managed businesses' interest increased to £36.8m reflecting increased debt levels compared to 2003, following the redemption of the £226m cumulative redeemable preference shares which took place in December 2003.

Taxation
The effective tax rate, before exceptional items, is 28.0% (2003 – 29.7% restated for FRS 17). The tax rate in recent years has benefited from a number of prior year adjustments.

Dividend
A proposed final dividend of 9.8p per Ordinary share will be paid on 6 May 2005 to those shareholders on the register on 8 April 2005.

Exchange rates
The average exchange rates against sterling used and the net translation effect of changes in average exchange rates between 2003 and 2004 are summarised in the next table.

	Average exchange rate		Impact on 2004	
	2004	2003	**Turnover £m**	**Operating profit £m**
US dollar	**1.84**	1.63	**(62.9)**	**(5.5)**
Canadian dollar	**2.40**	2.32	**(2.3)**	**(0.1)**
Euro	**1.46**	1.45	**(2.2)**	**(0.4)**
			(67.4)	**(6.0)**
Gaming			**(0.4)**	**(0.1)**
Hard Rock			**(21.0)**	**(2.0)**
Deluxe			**(42.0)**	**(3.4)**
US Holidays			**(4.0)**	**(0.5)**
			(67.4)	**(6.0)**
Interest				**2.8**
Net impact on profit before tax				**(3.2)**

Exceptional items

	H1 £m	H2 £m	**Total £m**
Exceptional items within operating profit			
– Deluxe Media Services restructuring	(27.1)	–	**(27.1)**
– Hard Rock Cafe	–	(31.0)	**(31.0)**
Total exceptional charge within operating profit	(27.1)	(31.0)	**(58.1)**
Non-operating exceptional items			
– Deluxe Media Services – provision for loss on disposal	–	(104.7)	**(104.7)**
– Deluxe Media Services – goodwill previously written off to reserves	–	(76.7)	**(76.7)**
	–	(181.4)	**(181.4)**
– Loss on disposal of continuing operations	(4.1)	–	**(4.1)**
Total exceptional non-operating loss	(4.1)	(181.4)	**(185.5)**
Tax credit on exceptional charge	0.4	9.1	**9.5**
Minority interest	0.5	0.2	**0.7**
Total	**(30.3)**	**(203.1)**	**(233.4)**

In May 2004, Deluxe Media Services was informed by a major studio that it would be transferring its business to another supplier on a staged basis over the period to July 2005. This contract relates primarily to European DVD manufacturing and distribution. An exceptional charge of £23.1m, comprising an impairment charge of £18.0m, onerous lease provisions of £3.8m, and other costs of £1.3m, was recorded in the first half. Deluxe Media Services also incurred an exceptional charge of £4.0m in respect of the VHS restructuring announced at the time of the 2003 year-end results in February 2004. These charges relate to the closure of VHS manufacturing facilities in Germany, Italy and Portugal.

At Hard Rock, following a detailed review, it was decided to relocate a number of key cafes, starting with New York, to close the Vault, a rock and roll museum in Orlando, and to write down a number of underperforming units. The effect of these actions has meant that an exceptional charge of £31.0m has been included in the 2004 results.

As set out in the Chief Executive's review, the Board has decided to separate Deluxe Media Services from the rest of the Group by means of a sale. As a result of this decision, a £104.7m provision for loss on disposal has been recorded in the second half of 2004. In addition, £76.7m goodwill, which had previously been written off to reserves, has been charged through the profit and loss account.

A £4.1m exceptional loss has also been recognised principally on the disposal of the RLMS business at the start of 2004.

The total cash cost associated with all exceptional items is £19.0m.

Cash flow

	2004 £m	2003** (as restated) £m
Cash inflow from operating activities		
Before Deluxe contract advances	**242.4**	309.2
Deluxe contract advances, net of repayments	**17.8**	(17.3)
	260.2	291.9
Capital expenditure	**(115.6)**	(111.4)
Fixed asset disposals	**7.3**	9.4
Operating cash flow	**151.9**	189.9
Interest, tax and dividend payments	**(115.6)**	(172.8)
Free cash flow	**36.3**	17.1
Acquisitions and investments*	**(74.7)**	(123.6)
Disposals (including sale and leaseback transactions)	**29.9**	4.1
	(8.5)	(102.4)
Issue of Blue Square convertible loan stock	**–**	65.0
Cash outflow	**(8.5)**	(37.4)

*including £65.0m of Blue Square debt in 2003
**as restated for UITF 38

The Group generated £36.3m of cash before acquisitions and disposals but after interest, tax and dividends (2003 – £17.1m). This reflects a much reduced net outflow on interest, tax and dividend payments following the redemption of the £226m cumulative redeemable preference shares, the refinancing of certain financial instruments, and a net tax repayment of £11.9m.

Operating cash flow was £38.0m lower than 2003 due to lower operating profits and an adverse movement in working capital, largely within Deluxe Media Services.

Capital expenditure

	2004 £m	2003 £m
Gaming (excluding RLMS)	**58.9**	44.8
Hard Rock	**13.3**	12.4
Deluxe	**37.4**	33.7
US Holidays	**2.8**	1.0
	112.4	91.9
RLMS*	**3.2**	19.5
Total	**115.6**	111.4

*the depreciation charge associated with RLMS in 2003 was £17.8m

Like-for-like capital expenditure (i.e. after adjusting for RLMS) was £20.5m higher than 2003. This largely reflects an increase in Gaming, following the acquisition and development of new properties in Bolton and Stoke-on-Trent, as well as the relocation of a number of bingo clubs.

Acquisitions and investments

	2004 £m
Acquisitions	
Gaming	
– Acquisition of Spanish Bingo	2.3
Deluxe Film	
– EFILM	15.1
– Softitler	7.1
– DVCC	2.5
Deluxe Media Services	
Buyout of Ritek minority interest	4.1
Other	
Deferred consideration	19.4
Settlement with Serena Holdings Limited	18.8
Other items	0.3
Purchase of subsidiaries (net of cash acquired)	**69.6**
Purchase of investments	
– Investment in Hard Rock Hotels	5.1
Total	**74.7**

Deluxe Film consolidated its position in creative services with the acquisition of DVCC and Softitler and the 80% of EFILM not already owned. Deluxe Media Services acquired the 8% minority interest in Deluxe Global Media Services held by Ritek of Taiwan for £8.5m, of which £4.1m was paid during the year. Gaming acquired a further bingo club in Spain.

The long standing dispute with Serena Holdings Limited, in connection with the consideration payable for an acquisition by the Group, which had been recognised in the Group's annual accounts as a contingent liability, was finally settled at a total cost of £18.8m (£10.2m plus £8.6m of accrued interest). This was accounted for as an adjustment to goodwill previously written off to reserves.

Deferred consideration of £19.4m comprised £4.5m for ETS, £8.0m for Ritek, £3.7m for Disctronics and £3.2m for others including Spanish bingo clubs.

During the year, the Group invested £5.1m in the Hard Rock Hotels joint venture with Sol Meliá in connection with the planned Hard Rock Hotel in New York.

The sale of Rank Leisure Machine Services was completed on 10 February 2004 and generated cash proceeds of £29.9m.

Net debt

	2004 £m
Opening net debt	**700.5**
Free cash flow	**(36.3)**
Acquisitions, investments and disposals	**44.8**
Conversion of convertible loan	**(65.0)**
Foreign currency translation	**(33.2)**
Other	**(4.1)**
Closing net debt	**606.7**

Net debt at 31 December 2004 was £606.7m compared with £700.5m at 31 December 2003. Net debt as a percentage of shareholders' funds was 149% compared to 153% at 31 December 2003.

Pensions – FRS 17

In accordance with the provisions of FRS 17 "Retirement Benefits", at 31 December 2004 the deficit on the Group's defined benefit plans was £24.3m (2003 – £50.1m) after deferred tax.

Treasury policy

Rank seeks to achieve certainty of value on its foreign currency purchases and sales by buying or selling forward a portion of its estimated net currency requirements up to a year ahead, or longer where an external currency exposure exists, or is forecast to exist. Balance sheet currency exposure in respect of investments in overseas subsidiaries is minimised by hedging the underlying asset postion with currency borrowings or through the use of currency swaps.

Rank seeks to protect itself against material adverse movements in interest rates by undertaking controlled management of the interest rate structure on Group investments and borrowings. This exposure is managed by fixing interest rates on a portion of the Group's borrowings dependent on the level of gearing.

The Directors review and agree the broad policies and guidelines for all significant areas of treasury activity, including key ratios, funding and risk management. Implementation of these policies is carried out by the Group treasury department, under close management direction. The treasury function is not operated as a profit centre.

Rank uses off-balance sheet financial instruments, including foreign exchange forward contracts and interest rate swaps, in its management of exchange rate and interest rate exposures. Off-balance sheet financial instruments are only used to hedge underlying commercial exposures. Therefore, while these instruments are subject to the risk of loss from changes in exchange rates and interest rates, such losses would be offset by gains in the related exposures. Rank does not speculate in derivative financial instruments. Realised and unrealised gains and losses on foreign exchange forward contracts that hedge firm third party commitments are recognised in income in the same period as the underlying transaction. Net interest paid or received on interest swap contracts is included in net interest expense.

Further information on borrowings and financial instruments is contained in notes 18 and 19 to the accounts.

The Directors submit their report and statement of accounts for the year ended 31 December 2004.

Principal activities and business review
Rank is one of the UK's leading leisure and entertainment companies and an international provider of services to the film industry. In 2004, leisure and entertainment activities included casinos and bingo clubs, and Hard Rock Cafes and global rights to the Hard Rock brand. Rank also owns film processing and video and digital versatile disc (DVD) duplication and distribution facilities, branded Deluxe. Rank operates primarily in the UK and North America, although it also has activities in continental Europe and other parts of the world.

In August 2004, the Company's subsidiary, Deluxe Laboratories, Inc., acquired the remaining 80% of EFILM not already controlled by the Group for a consideration of £18.2m. Also in August 2004, the Company's subsidiary, Deluxe Media Services Inc., acquired the Softitler group of companies for a consideration of £9.8m, and DVCC for a consideration of £2.5m. In September 2004, a determination was delivered regarding the Company's long-standing dispute with Serena Holdings Limited which resulted in the Company paying an additional £10.2m for businesses acquired with the acquisition of Mecca Leisure Group plc in 1990, together with interest thereon of £8.6m.

An analysis of turnover, profit, operating assets and net cash flow by business activity is given on pages 57 to 58. The Group's continuing activities and businesses are reported on in the Operating and Financial Review on pages 26 to 36.

Result and equity dividends
The loss before tax for the year was £83.3m (2003 – £122.7m profit). The loss for the year after tax and minority interests was £119.4m (2003 – £95.6m profit). The loss for the year of £209.6m (2003 – £4.3m) has been transferred to reserves. The 2003 figures have been restated to reflect the adoption of Financial Reporting Standard 17, "Retirement Benefits".

The Directors recommend a final dividend of 9.8p per Ordinary share which, together with the interim dividend of 4.8p already declared, makes a total for the year of 14.6p per Ordinary share (2003 – 13.9p). Subject to approval at the Annual General Meeting, the final dividend will be paid on 6 May 2005 to those shareholders whose names are on the register on 8 April 2005.

Directors
The current Directors of the Company are listed on page 24 and all of them were Directors of the Company throughout the year save for Richard Greenhalgh, Brendan O'Neill and David Boden who were appointed Directors with effect from 1 July 2004, 1 October 2004 and 1 March 2005 respectively. Richard Greenhalgh (a member of the Remuneration Committee), Brendan O'Neill (a member of the Audit Committee) and David Boden will retire at the Annual General Meeting and, being eligible, will offer themselves for re-appointment. Richard Greenhalgh and Brendan O'Neill do not have a service agreement with the Company but David Boden does, which is terminable on 12 months' notice. The Company is satisfied that each non-executive Director is able to devote the amount of time required to attend to the Company's affairs.

Oliver Stocken (current Chairman of the Audit Committee and a member of the Remuneration Committee) and Mike Smith will retire by rotation at the Annual General Meeting, and, being eligible, will offer themselves for re-appointment. Oliver Stocken does not have a service agreement with the Company; Mike Smith has a service agreement with the Company, terminable on 12 months' notice. Peter Jarvis will retire as a Director at the conclusion of the Annual General Meeting.

The interests of the Directors in the shares of the Company, together with their remuneration and, where applicable, their service agreements, are detailed in the Remuneration Report. Biographical details of the Directors are given on page 24.

Human resources
The Company recognises that the contribution made by its employees is crucial to the success of each of its businesses. Substantial investment is therefore made in the training, development and motivation of staff with particular attention to ensuring customer satisfaction through the consistent achievement of high standards of service and delivery of quality products.

Employee involvement in the direction and objectives of the business is encouraged through the use of incentive schemes to focus employees on the key performance indicators of each business. In addition, communication and consultation programmes exist at site, company and Group level.

The Company believes it benefits substantially from having a diverse workforce and therefore endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age, disability or sexual orientation.

Health and safety
The Board receives regular reports on health and safety matters. The Chief Executive has been nominated by the Board as the main Board Director responsible for health and safety across the Group. The Group requires each division to develop and implement its own safety policy, organisation and arrangements, to respond to its particular health and safety risks. The Board also requires an annual report from each division on health and safety performance for the year.

Environment
The Group's policy is to encourage respect for the environment and Rank adopts an environmentally responsible attitude in the fulfilment of its business objectives. Close attention is paid to energy and water conservation and recycling of waste material where economically practical.

Corporate social responsibility
The Company's risk assessment processes take account of the significance of social environmental and ethical matters to the businesses of the Company. Through these processes and the information thereby provided, the Board can identify and assess if there are any significant risks to the Company's short and long term value arising from social, environmental and ethical matters, as well as opportunities to enhance value.

During 2004, the Group commissioned an independent review by GoodCorporation of Gaming Division's management practices regarding the communities and environment in which it operates, and the treatment of its stakeholders, including customers, suppliers and employees. This process is being extended to Hard Rock in 2005.

Share capital
Details of the new Ordinary shares issued pursuant to the exercise of options under Rank's share option schemes are set out in note 23 on page 73.

A resolution will be proposed at the Annual General Meeting to authorise the Directors to allot and grant rights over the unissued share capital and to authorise the Directors to allot and grant rights over Ordinary shares for cash up to a maximum nominal amount representing 5% of the issued Ordinary share capital, without first making a pro rata offer to all existing Ordinary shareholders.

A special resolution will also be proposed at the Annual General Meeting to authorise the Company to purchase up to 15% of its Ordinary shares at or between the minimum and maximum prices specified in the resolution set out in the notice of meeting. The authority would only be exercised by the Directors if they considered it to be in the best interests of shareholders generally and if the purchase could be expected to result in an increase in earnings per share.

Fixed assets
The Directors have considered the market value of land and buildings and are satisfied that it is not less than the net book value.

Payment of suppliers
The Company and its subsidiaries agree terms and conditions for their business transactions with their suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. Given the diversity of the Group's businesses and the widely differing credit terms which apply in the various industries and territories in which they operate, the Directors consider that it is not meaningful to disclose an average period of credit taken. The Company has no trade creditors.

Significant shareholdings
At the date of this report the Company has been notified of the following interests over its Ordinary shares in accordance with Sections 198 to 208 of the Companies Act 1985:

FMR Corp and Fidelity Investments Limited (78,306,088 – 12.55%)
Legal and General Group Plc (29,917,337 – 4.97%)
Prudential plc (25,692,171 – 4.11%)
Deutsche Bank AG (18,807,983 – 3.01%).

Charitable and political donations
Charitable donations made in the UK during the year amounted to £233,000 (2003 – £275,000). The largest single donation was £200,000 (2003 – £217,000) in favour of Responsibility in Gambling Trust. Overseas companies supported a variety of local and national charities and, in particular, Hard Rock Cafe International (USA) Inc. donated approximately US$550,000 (2003 – US$374,000), continuing its focus on humanitarian and environmental causes. The Company made no political donations in the year.

Auditors
The auditors, PricewaterhouseCoopers LLP, are willing to continue in office and a resolution that they be re-appointed at a remuneration to be agreed by the Directors will be proposed at the Annual General Meeting.

By order of the Board

Charles Cormick
Secretary, The Rank Group Plc, Registered No. 3140769
Registered Office:
6 Connaught Place, London W2 2EZ

8 March 2005

This report sets out the Company's executive remuneration policy and structure and details the remuneration received by the Directors for the year ended 31 December 2004, in compliance with the Directors' Remuneration Report Regulations 2002.

Remuneration Committee

The Board has overall responsibility for determining the framework of executive remuneration and its cost, and is required to take account of any recommendations made by the Remuneration Committee. The Board has delegated to the Committee (through formal terms of reference which are available on request in writing to the Company Secretary and on the Company's website, www.rank.com) determination of the specific remuneration, benefits and employment packages for the Chairman, executive Directors and other senior executives.

The Remuneration Committee consists solely of independent non-executive Directors. John Sunderland replaced Peter Jarvis as Chairman of the Committee in April 2004. Peter Jarvis remains a member of the Committee, as does Oliver Stocken. Richard Greenhalgh joined the Committee in July 2004. Details of attendances at Committee meetings are contained in the report on Corporate Governance on page 47. Alun Cathcart and Mike Smith normally attend meetings of the Remuneration Committee, as do Christine Ray (Group Human Resources Director), Roger Fairhead (Director of Group Compensation & Benefits) and Charles Cormick (Company Secretary), but they are not present at any discussion concerning their own remuneration.

Towers Perrin has been appointed by the Committee to advise it, and the Board, on remuneration issues, and New Bridge Street Consultants provide advice on share-based incentive arrangements for executives and the wider employee population. Neither adviser provided any other services to the Company during 2004. Christine Ray and Roger Fairhead assisted the Committee by preparing reports on remuneration and employment conditions within the Group; internal support is provided by Charles Cormick.

Remuneration policy

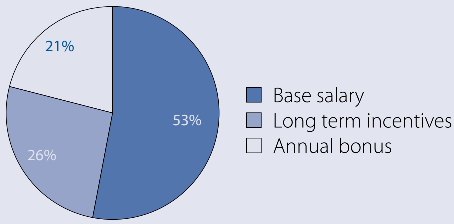
a) Executive Directors

The Committee aims to ensure that the remuneration and incentive arrangements for executive Directors are market-competitive and support the interests of shareholders.

In practice, executive remuneration must reflect the competitive practices of the Company's principal competitors and the other businesses with which it competes for talent. The Committee believes that a significant emphasis on variable remuneration linked to the performance of the Company, together with shareholding guidelines for the executive Directors, is the best way to incentivise and reward executives for the achievement of immediate and longer term strategic objectives of the Company. It is not the Company's intention to pay more than is necessary, and the reward structure and potential size of awards are regularly reviewed by the Committee to ensure that they meet these objectives.

Excluding pension entitlements, the target value for each executive Director's remuneration and the shareholding guidelines are:

	Fixed	Performance-related			
	Base salary %	Annual bonus %	Long term incentives %	Total %	Shareholding guidelines
Mike Smith	53	21	26	100	1.5 x base salary
Ian Dyson	53	21	26	100	1 x base salary



In the table above, the target value for annual bonus has been calculated as the annual cash bonus payable for achieving all targets as described on page 40 (i.e. 40% of base salary). The target value for long term incentives is calculated as the estimated fair value of grants made under the Company's Executive Share Option Scheme and Long Term Incentive Plan during 2004, consistent with the calculation methodology of International Financial Reporting Standard 2 (Share-based Payments).

The calculated target values, expressed as a percentage of total remuneration, have changed from 2003, reflecting the lower levels of long term incentive awards granted to executive Directors in 2004.

The reward structure for around 30 senior executives below Board level is generally the same although the level of remuneration may differ. The shareholding guidelines for all other Executive Committee members is 0.75 times base salary.

For 2005, the Committee does not foresee any major changes in policy, although the Committee will continue to review the level and structure of remuneration to ensure that it remains appropriate. As more fully explained on page 40, the retesting of performance conditions under the Company's Executive Share Option Scheme has been discontinued for all options granted in or after 2005. The Company's long term incentive plan will expire in April 2005 and therefore a replacement plan, in essentially the same form as the current plan, will be proposed at the 2005 Annual General Meeting to ensure that long term incentives remain in place for Rank's senior management.

b) Non-executive Directors

The Chairman and the non-executive Directors receive fees only, and are not eligible to participate in any bonus plan, pension plan, share plan, or long term incentive plan of the Company. The Chairman and the executive Directors determine the fees paid to the non-executive Directors. The Chairman's fee is determined by the Remuneration Committee. The Chairman also receives an expense allowance of £10,000 towards his travel and communication expenses.

Fees paid to the non-executive Directors are aligned to reflect the time commitment and responsibility associated with each role. 30% of the net base fees (after tax) paid to the non-executive Directors are used to purchase Ordinary shares in the Company on a quarterly basis. These shares must be retained throughout service. The fees paid to each non-executive Director during 2004 and their base fees with effect from 1 January 2005 (including the part used to purchase shares) are disclosed in the Directors' remuneration summary on page 44.

Remuneration structure

a) Base salary and benefits

Base salaries are reviewed annually with effect from 1 January, taking into account individual performance, and are paid at a market competitive level. The Committee receives comparator group information (comprising the Company's principal competitors and other companies of similar size and complexity in the FTSE-350) compiled by independent remuneration consultants, with a view to maintaining base salary at the mid-market level. The Committee is also guided by salary levels of other executives and across the organisation as a whole. With effect from 1 January 2005, Mike Smith and Ian Dyson received a 2.9% increase in base salary as disclosed in the Directors' remuneration summary on page 44.

Benefits are provided in line with normal market practice, and include a car allowance, and health, disability and life insurance.

b) Annual cash bonus

The annual cash bonus for executive Directors and senior executives is aligned to the achievement of various business strategy objectives expressed as financial targets for the year. For executive Directors and the most senior executives below Board level, the annual cash bonus for achieving these targets is 40% of base salary, with a maximum bonus equal to 80% of base salary for significantly exceeding each target.

For 2004, operating profit targets (accounting for three-quarters of any bonus) plus a secondary performance measure (accounting for one-quarter of any bonus) were used. The secondary performance measures are specific to each division and relate to quantifiable targets for cashflow, cost reduction and turnover. The annual cash bonus for the executive Directors was 21% of base salary, commensurate with only some of the financial targets being achieved, as disclosed in the Directors' remuneration summary on page 44.

c) Long term incentives

The Company operates a Save As You Earn (SAYE) option scheme in which all UK employees can participate. Participants save a fixed amount of up to £250 per month for three or five years and are then able to use these savings to buy shares in the Company at a price fixed at a 20% discount to the market value at the start of the savings period. In line with market practice, the exercise of these options is not subject to any performance condition.

The executive Directors and selected senior executives also participate in an Executive Share Option Scheme (ESOS) and a Long Term Incentive Plan (LTIP) designed to retain management and reward longer term performance of three years or more. In 2004, 205 (2003 – 179) executives received grants under the ESOS and 33 (2003 – 35) received conditional awards under the LTIP.

The level of awards granted to executive Directors and selected senior executives is determined by the Remuneration Committee each year, taking into account the market competitive situation, share dilution limits and Company performance.

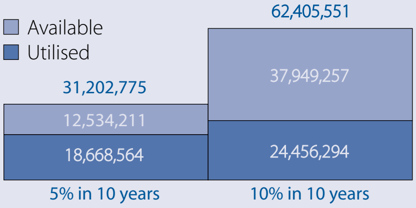
Executive Share Option Scheme (ESOS)

The executive Directors and selected senior executives are granted options to purchase shares in the Company at a price fixed at market value at the date of grant. For grants over shares with a total exercise price of up to one times basic salary, options will only vest if there is an average increase in normalised earnings per share (EPS) of at least 3% per annum above the growth in the UK Retail Prices Index (RPI) over a three year period. For grants up to twice basic salary, the criteria is real EPS growth of 5% per annum; and for grants up to three times basic salary, the criteria is real EPS growth of 7% per annum. The maximum grant permitted under the scheme is three times basic salary. The executive Directors were also granted options at the time of their recruitment in 1999, with a performance condition of real EPS growth of at least 2% per annum over a three year period.

For options granted before 2005, if the EPS condition is not met at the end of the three year performance period, the performance period may be extended for one further year, measuring EPS growth from the original base year. If this condition is not met at the end of the fourth year, the options will lapse. For options granted in or after 2005, this retesting provision has been discontinued, and if the EPS condition is not met at the end of the three year performance period, the options will lapse. In reaching this decision, the Committee took account of the views of its shareholders, the Association of British Insurers, and the National Association of Pension Funds.

EPS was determined by the Committee to be the appropriate criterion given its clear linkage with shareholder value. With the introduction of International Financial Reporting Standards from 2005, the Committee will satisfy itself that EPS is consistently measured over a performance period by calculating EPS for the base period and at the end of the performance period using consistent accounting standards.

SAYE and ESOS options are satisfied through the issue of new shares. In accordance with the Association of British Insurers Guidelines on Executive Remuneration, grants of options are carefully planned so as not to exceed 5% of the issued Ordinary share capital in any rolling 10 year period for the ESOS, and 10% of the issued Ordinary share capital in any rolling 10 year period overall. The Committee has regard to appropriate annual flow-rates to ensure that these limits are not breached. The utilisation of shares against these limits as at 31 December 2004 is shown below:



	5% in 10 years	10% in 10 years
Limit	31,202,775	62,405,551
Utilised	18,668,564	24,456,294
Available	12,534,211	37,949,257

The executive Directors' interests in the ESOS are:

	Date of grant	Exercise price (p)	Market price at exercise (p)	Number at 1.01.04	Number granted (exercised) during 2004	Number at 31.12.04	Performance period ending 31 December (maximum)	Earliest exercise date	Exercise period end date
Mike Smith	1.04.99	226.25	318.0	765,580	(165,580)	600,000	Vested	1.04.02	31.03.09
	24.05.02	271.00	–	244,464	–	244,464	2005	24.05.05	23.05.12
	27.03.03	239.92	–	178,184	–	178,184	2006	27.03.06	26.03.13
	11.03.04	320.33	–	–	112,383	112,383	2007	11.03.07	10.03.14
Ian Dyson	13.09.99	248.00	–	278,225	–	278,225	Vested	13.09.02	12.09.09
	24.05.02	271.00	–	138,376	–	138,376	2005	24.05.05	23.05.12
	27.03.03	239.92	–	100,033	–	100,033	2006	27.03.06	26.03.13
	11.03.04	320.33	–	–	63,684	63,684	2007	11.03.07	10.03.14

The market value of one Ordinary share was 264.0p at 31 December 2004. The highest market value during 2004 was 339.0p and the lowest was 258.5p.

Long Term Incentive Plan (LTIP)

The executive Directors and selected senior executives are awarded shares in the Company subject to achieving a total shareholder return (TSR) target. To ensure that awards do not vest at a time of overall unsatisfactory financial performance, there must also be an increase in normalised EPS of at least 2% per annum above the growth in RPI over a three year period.

The TSR target measures the Company's growth relative to 19 comparator companies. 100% of the shares vest if the Company achieves upper quartile performance, 30% of the shares vest at median performance, and awards vest on a straight line basis for performance in between. No shares vest if performance is below median. The TSR ranking for awards that vested for the performance period ended 31 December 2004 and for those awards not yet vested are:

Performance period ending	TSR ranking at 31 December 2004	Vesting
31 December 2004	6th out of 20	86% (final vesting)
31 December 2005	13th out of 20	0% (provisional)
31 December 2006	14th out of 20	0% (provisional)

Accordingly, in 2005 Mike Smith and Ian Dyson will receive 86% of the shares conditionally awarded to them in 2002 (as shown in the table on page 42).

TSR is measured by reference to the change in the price of Ordinary shares over the performance period and the gross value of dividends assuming they are immediately reinvested in shares during that period. In order to reduce the effects of short term volatility in TSR, the averages of the daily closing prices of shares for the previous three months are used.

A TSR criterion was selected by the Committee because of its link with shareholder value, and a secondary criterion of EPS growth was selected to ensure that awards would not vest at a time of overall unsatisfactory financial performance.

The comparator group of the companies against which TSR is measured currently comprises BAA, Boots, De Vere, Dixons, EMI, GUS, Hilton, InterContinental Hotels, ITV, Kingfisher, Luminar Leisure, Mothercare, My Travel, Next, Pearson, Scottish & Newcastle, Stanley Leisure, WH Smith and Whitbread. This comparator group of companies was selected by the Committee at commencement of the plan in 2000 because of similarities in market sector and/or market capitalisation at that time. The proposed replacement plan will permit the Committee to select comparator companies that are appropriate at the time of each grant.

The maximum award under the plan is one times basic salary. The proposed replacement plan will permit a maximum award of one and a half times basic salary, although the general level of awards is not expected to increase in normal circumstances. The increased maximum will enable the Remuneration Committee to grant higher awards in exceptional circumstances, such as on recruitment of a key executive, as an alternative to increasing non performance-related elements of pay.

The executive Directors' interests in the LTIP are:

	Date of award	Market price at award (p)	Market price at vesting (p)	Number at 1.01.04	Number awarded (vested) during 2004	Number at 31.12.04	Performance period ending 31 December
Mike Smith	27.03.01	176.30	317.00	283,687	(283,687)	–	Vested
	12.03.02	275.00	–	96,363	–	96,363	2004
	20.03.03	238.50	–	179,245	–	179,245	2005
	11.03.04	323.50		–	111,282	111,282	2006
Ian Dyson	27.03.01	176.30	317.00	153,191	(153,191)	–	Vested
	12.03.02	275.00	–	54,545	–	54,545	2004
	20.03.03	238.50	–	100,628	–	100,628	2005
	11.03.04	323.50	–	–	63,060	63,060	2006

d) Pension

The executive Directors are members of the Rank Pension Plan, which is a defined benefit plan, providing benefits based on number of years' service and base salary (restricted by the earnings cap imposed by the Finance Act 1989). The accrual rate does not exceed 1/30th for each year of service.

In addition, the Company pays into a funded unapproved retirement benefit scheme (FURBS), which is a defined contribution scheme, on behalf of Mike Smith. The Company also pays a salary supplement in lieu of additional pension contributions to Ian Dyson. These amounts are disclosed in the Directors' remuneration summary on page 44.

Pension entitlements and corresponding transfer values of the executive Directors for the Rank Pension Plan during the year were:

	Age at 31.12.04	Gross increase in accrued pension during 2004 £000	Increase in accrued pension (net of inflation) during 2004 £000	Total accrued pension at 31.12.04 £000	Transfer value of net increase in accrued pension £000	Transfer value of accrued pension at 1.01.04 £000	Transfer value of accrued pension at 31.12.04 £000	Directors' contributions during 2004 £000	Increase in transfer value (net of Directors' contributions) £000
Mike Smith	57	2	2	10	21	122	166	7	37
Ian Dyson	42	4	3	18	21	104	149	7	38

Accrued pension is the amount which would be paid annually on retirement based on service to the end of the year. Transfer values have been calculated in accordance with paragraph 1.5 of guidance note GN11 issued by the actuarial profession. The value of net increase in accrued pension represents the incremental value to the executive Director of his service during the year, assuming service is terminated at the year-end. The increase in transfer value (net of Directors' contributions) includes the effect of fluctuations due to factors beyond the control of the Company and Directors, such as stock market movements. The transfer values of the accrued pension represents the value of assets the Pension Plan would need to transfer to another pension provider on transferring the Plan's liability in respect of the executive Directors' pension benefits. They do not represent sums payable.

The Company continues to review the pension arrangements of all UK-based employees, including the executive Directors, in preparation for the changes to the taxation of pensions from April 2006. It is the Company's intention that any changes made will not increase the overall cost to the Company.

Service contracts and external directorships
It is the Company's policy that the Chairman and executive Directors have service contracts with notice periods not exceeding one year. However, the Company recognises that in the case of any future appointments from outside the Company, a longer initial notice period may be necessary, reducing to one year or less after an initial period. There are no predetermined compensation provisions for early termination, and any compensation payable will be determined on an individual basis taking into account length of service, the circumstances surrounding termination and an individual's duty to mitigate losses.

Non-executive Directors do not have service contracts but serve the Company under letters of appointment. These appointments may be terminated without liability for compensation. The non-executive Directors appointed during 2004 were appointed for an initial period of three years, subject to review annually thereafter.

	Date of service contract	Unexpired term	Notice period
Alun Cathcart	10.04.01	12 months	12 months
Mike Smith	25.02.99	12 months	12 months
Ian Dyson	17.08.99	12 months	12 months

The Company recognises that its Directors may be invited to become non-executive Directors of other companies, or become involved in charitable or public service organisations. These appointments can broaden the knowledge and experience of the Directors to the benefit of the Company. Providing there is no conflict of interest and the commitment is not excessive, the executive Directors are permitted to accept one external appointment and to retain any fees received. During the year, Mike Smith served as non-executive Chairman of communisis plc and retained fees of £100,000 and Ian Dyson served as a non-executive Director of Misys plc and retained fees of £37,500.

Directors' interests in Ordinary shares
The total interests of executive and non-executive Directors in the issued share capital of the Company are:

	Ordinary shares 31 December 2004	Ordinary shares 1 January 2004 (or date of appointment if later)
Chairman:		
Alun Cathcart	**100,000**	100,000
Executive Directors:		
Mike Smith	**400,000**	300,000
Ian Dyson	**119,675**	118,293
Non-executive Directors:		
Richard Greenhalgh	**797**	–
Peter Jarvis	**27,109**	25,525
Brendan O'Neill	**393**	–
Oliver Stocken	**42,680**	40,090
John Sunderland	**2,642**	1,058
Total	**693,296**	584,966

There were the following changes in Directors' interests between 31 December 2004 and the date of this report.

		Ordinary shares at date of report
Richard Greenhalgh	Purchase of 650 shares on 3 March 2005	1,447
Peter Jarvis	Purchase of 554 shares on 3 March 2005	27,663
Brendan O'Neill	Purchase of 629 shares on 3 March 2005	1,022
Oliver Stocken	Purchase of 508 shares on 3 March 2005	43,188
John Sunderland	Purchase of 608 shares on 3 March 2005	3,250

All the above purchases were made pursuant to the quarterly purchase of shares by non-executive Directors referred to on page 40.

Pursuant to the Companies Act 1985, each executive Director is also deemed to be interested in the Ordinary shares of the Company held by the Rank Group Employee Benefit Trust. At 1 January 2004, the interest was in 2,752,076 Ordinary shares, and at 31 December 2004, and at the date of this report, the interest is in 824,895 Ordinary shares.

The Rank Group Employee Benefit Trust holds shares to satisfy the awards vesting from the Long Term Incentive Plan. Periodically, an estimate is made of the awards likely to vest, and shares are purchased as appropriate.

Directors' remuneration summary

The cash emoluments received by the Directors and the aggregate cash emoluments received by members of the Executive Committee (other than executive Directors) for 2004 are shown below with the base salary/fees from 1 January 2005:

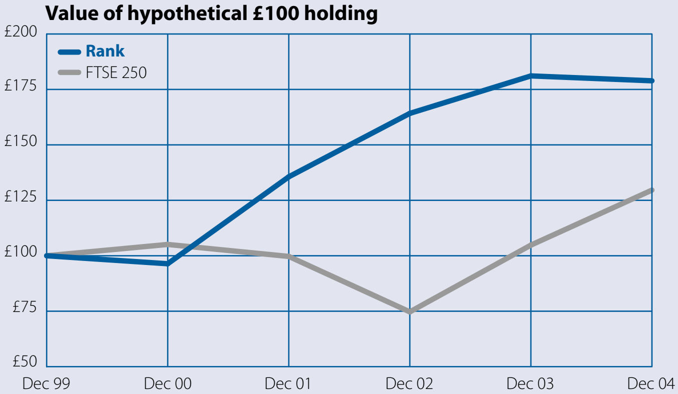
	Base salary/ base fees £000	Committee Chairman's fees £000	Benefits £000	Expense allowances £000	Annual bonus £000	FURBS/ salary supplement £000	Total emoluments (excluding pensions) **Total 2004 £000**	Total emoluments (excluding pensions) Total 2003 £000	Base salary/ base fees from 1.01.05 £000
Chairman:									
Alun Cathcart	175	–	–	10	–	–	**185**	177	185
Executive Directors:									
Mike Smith	600	–	45	–	126	270	**1,041**	1,003	617
Ian Dyson	340	–	29	–	71	68	**508**	488	350
Non-executive Directors:									
Richard Greenhalgh	17	–	–	–	–	–	**17**	–	35
Peter Jarvis	34	2	–	–	–	–	**36**	40	35
Brendan O'Neill	8	–	–	–	–	–	**8**	–	35
Oliver Stocken	34	7	–	–	–	–	**41**	40	35
John Sunderland	36	5	–	–	–	–	**41**	33	38
Total	1,244	14	74	10	197	338	**1,877**	1,781	1,330
Executive Committee (excluding executive Directors):									
Aggregate	1,510	–	174	–	294	30	**2,008**		

There were no payments in respect of termination or compensation for loss of office paid to, or receivable by, Directors during the year. John Garrett, a former executive Director, received £61,283 (2003 – £59,772) in respect of an unfunded pension obligation. The aggregate number of Executive Committee members (excluding executive Directors) during 2004 was 6.

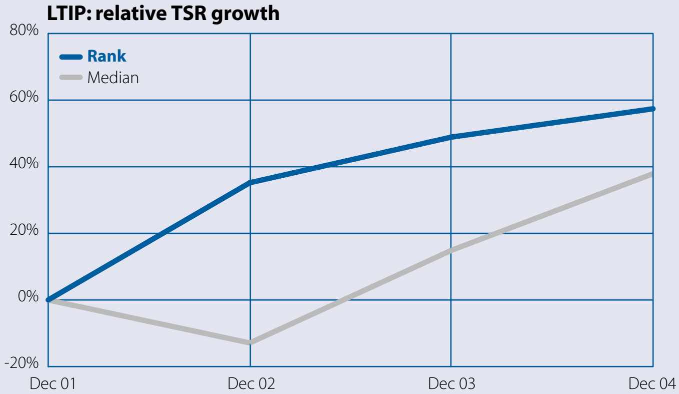
Company performance

Shown below is the Company's TSR performance compared with the FTSE-250 index (excluding investment companies) for the five years to 31 December 2004. The Committee has selected this index as the Company was a constituent of the FTSE-250 throughout this period. As described on page 41, shares vest under the LTIP only if Rank's relative TSR performance is above median. The Company's relative TSR for the performance period ending 31 December 2004 is also shown below.

Value of hypothetical £100 holding



LTIP: relative TSR growth



PricewaterhouseCoopers LLP

In their audit opinion on page 49 PricewaterhouseCoopers LLP refer to their audit of the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985. These comprise the following disclosures in this Remuneration Report:

- The table above showing cash emoluments received by the Directors in 2004
- The disclosures under the headings "Executive Share Option Scheme (ESOS)" and "Long Term Incentive Plan (LTIP)" on pages 40 to 42.
- The disclosures under the heading "Pension" on page 42.

On behalf of the Board

John Sunderland
Chairman of the
Remuneration Committee

8 March 2005

The policy of the Board is to manage the affairs of the Company in accordance with the principles of the Combined Code on Corporate Governance issued in July 2003 and annexed to the Listing Rules of the Financial Services Authority (the Code). This statement explains how the Company applies the principles of the Code.

Board
The Directors believe that it is essential that the Company should be both led and controlled by an effective Board. The Board has adopted a formal statement of its powers, duties and responsibilities, and recognises that its main functions are as follows:

- agreeing objectives, policies and strategies, and monitoring the performance of the executive management;

- keeping under review the general progress and long term development of the Group in light of the political, economic and social environments in which it operates;

- controlling and monitoring the financial state and performance of the Group (including investment and financing plans), determining the desired financial ratios, approving the objectives of the Group Five Year Business Plan;

- deciding on major changes in organisation and the shape of the Group, including entry into new fields of operation and departure from those which are no longer appropriate;

- approving major expenditure and transactions with other companies including, for example, acquisitions, disposals, joint ventures and significant supply arrangements;

- ensuring that the Group pursues sound and proper policies in relation to:

  (a) safety, health and environmental matters; and
  (b) corporate governance;

- delegating clear responsibility and authority to the Chairman, Committees of the Board, the Chief Executive, Directors or groups of Directors, Officers and others; and

- giving approval or support, as appropriate, to the most senior appointments in the Group and ensuring that adequate career development, succession and remuneration arrangements exist for them.

There is a formal schedule of matters reserved for the Board's decision.

Regular Board meetings are held (not less than eight meetings in a year). At least one meeting is devoted to strategy, and is held offsite from the Company's London office. The Board also aims to hold at least one meeting a year outside the UK to enable the Board to meet overseas management. Ad-hoc meetings are also convened to attend to any matters requiring Board consideration in between regular meetings. The Chairman holds at least one meeting a year with the non-executive Directors without the executive Directors being present and, led by the senior independent Director, the non-executive Directors meet without the Chairman present at least once a year to appraise his performance.

The Company has arranged insurance cover in respect of legal action against its Directors. To the extent permitted by UK law, the Company also indemnifies the Directors. Neither the insurance nor the indemnity provides cover where a Director has acted fraudulently or dishonestly.

Chairman and Chief Executive
There is a clear division of responsibilities at the head of the Company, with the Chairman responsible for the effective operation of the Board, encouraging the active participation of all Directors, and the Chief Executive responsible for the running of the Company's businesses. The Board has approved formal statements describing the role and remit of both the Chairman and Chief Executive, which emphasise this division of responsibilities.

Board balance and independence
The Board includes a balance of executive and independent non-executive Directors, whose biographical details are given on page 24; John Sunderland has been nominated as the senior independent Director. Although Peter Jarvis has served as a Director of the Company, and its predecessor, The Rank Organisation Plc, for more than nine years, the Board is satisfied that he has remained robustly independent in both character and judgement, and has brought this independence to bear in attending to the Company's affairs. The Directors have wide ranging business experience, and no individual, or group of individuals, dominates the Board's decision making.

During 2004, the Board's key committees were refreshed, with John Sunderland succeeding Peter Jarvis as Chairman of the Remuneration Committee, and Richard Greenhalgh and Brendan O'Neill joining the Remuneration and Audit Committees respectively as new members.

Appointment of the Board
The Board accepts that there should be a formal, rigorous and transparent procedure for the appointment of new Directors.

To this end, in 2003 the Board adopted new terms of reference for its Nominations Committee which are available on request to the Company Secretary and are included on the Company's website, www.rank.com. A report of the Nominations Committee's work during 2004 is given on page 46.

During the year the Board also agreed new terms and conditions of appointment for non-executive Directors, which are available for inspection and comply with the Code.

Information and professional development
The Board receives a steady flow of information to enable it to discharge its duties, including a monthly report detailing current and forecast trading results and treasury positions. It also receives regular updates on shareholders' views as part of the monthly report, and more formal briefings on shareholders' views are given to the Board following the presentation of the Company's annual and interim results. Board papers are generally distributed not less than five days in advance of the relevant meeting to allow the Directors to fully prepare for meetings, and minutes of Committee meetings are circulated to all Directors. The Board is kept fully informed of developments within the Company's businesses through regular presentations by divisional management. Induction programmes for newly appointed Directors were reviewed during 2004 and now include more visits to operational sites, and more time spent with divisional management.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed, and to independent professional advice, if required, at the Company's expense.

Performance evaluation
The Board evaluated its performance in 2004 in two stages. First, the Board reviewed Board processes, including preparation and circulation of Board papers, conduct of Board meetings, and preparation of Board minutes, by means of completion of a questionnaire prepared by the Company Secretary. The results of this questionnaire were reported to the Board, which showed general overall satisfaction with Board processes, although minor amendments have now been made following this evaluation.

Secondly, the evaluation process for the performance of the Board as a whole, and that of individual Directors, was carried out through one-on-one meetings between the Chairman and each Director. The Directors were presented with written evaluation forms to enable them to prepare for their meetings. In addition, led by John Sunderland, the Chairman's performance was evaluated by means of one-on-one meetings between John Sunderland and the other non-executive Directors. Mr Sunderland took the views of the executive Directors into account in this process.

The Remuneration Committee's performance was evaluated by means of a completion of a questionnaire prepared by the Company Secretary. The Audit Committee's performance and the effectiveness of the external audit process were evaluated through the completion of questionnaires prepared by PricewaterhouseCoopers LLP. The results of all these evaluations, which were carried out by the members of the Committees, were reviewed by the Board.

Re-election of Directors
All Directors are subject to re-appointment by shareholders at the first Annual General Meeting after their appointment, and thereafter at intervals of no more than three years. Non-executive Directors are now appointed for an initial period of three years, subject to re-appointment.

The Audit Committee
In 2004, Rank's Audit Committee was comprised solely of independent non-executive Directors. Details of the Committee's current membership are as follows:

	Date first appointed	Date of appointment as Chairman
Oliver Stocken	October 1998	May 2000
Brendan O'Neill	October 2004	N/A
John Sunderland	February 1998	N/A

Peter Jarvis was also a member of the Committee during 2004 but stepped down from the Committee before the end of the year, following the appointment of Brendan O'Neill.

The Board is satisfied that all members of the Committee have recent and relevant financial experience. Normally the Chairman, Chief Executive, Finance Director, Director of Finance and Taxation, Director of Risk Management and Head of Internal Audit attend Committee meetings, as do representatives of the external Auditors.

The Audit Committee's terms of reference are available on request to the Company Secretary, and are included on the Company's website, www.rank.com.

In summary, the Committee assists the Board in reviewing the effectiveness of internal control systems. The Committee also reviews financial statements to be published externally before their submission to the Board, to ensure they present a fair assessment of the Group's position and prospects. It also authorises any change in accounting policies. The Committee meets at least annually with the Head of Internal Audit and the external Auditors without management being present.

The Committee also keeps under review the independence and objectivity of the external Auditors, and their effectiveness. In particular, the Committee oversees the nature and amount of non-audit work undertaken by PricewaterhouseCoopers LLP each year to ensure that external Auditor independence is safeguarded. All non-audit services above £50,000 to be performed by the external Auditors are required to be approved by the Audit Committee and the Group's policy is that, where appropriate, non-audit work is put out to competitive tender. Details of the year's fees are given in note 2 on page 59.

In addition to more routine items of business, in 2004 the Committee received regular reports on the implications for the Company of the introduction of international accounting standards, and oversaw the actions being taken to comply in due course with the internal controls requirements of S.404 of the U.S. Sarbanes-Oxley Act. The Committee also approved new codes of conduct both for the Chief Executive and principal financial officers, and for all employees. During the year the Committee also reviewed arrangements by which employees may confidentially raise concerns about possible improprieties in matters of financial reporting or other matters, and as a result, a new Group-wide whistleblowing policy was introduced.

The Finance Committee
The Finance Committee is an executive Committee to which certain specific authorities have been delegated by the Board, principally in respect to capital expenditure authorisation and financing of the Group. The members of the Committee are Alun Cathcart, Ian Dyson and Mike Smith.

The Nominations Committee
The Nominations Committee is responsible for identifying and nominating, for the approval of the Board, all new Board appointments. The Board believes that it is helpful for both the Chairman and the Chief Executive to be formally involved in this process and thus both Alun Cathcart and Mike Smith are members of the Committee; its other members are Peter Jarvis and John Sunderland. This composition does not comply with the Code in that the majority of members of the Committee are not independent non-executive Directors. The Board considers however that the Committee would be too unwieldy if an additional independent non-executive Director were to be appointed to it.

In 2004, the Nominations Committee agreed specifications for new non-executive Directors, taking into account the existing balance of skills, knowledge, and experience on the Board, and engaged an external search consultant to assist in the process of identifying suitable candidates which led to the appointments of Richard Greenhalgh and Brendan O'Neill. The Committee met formally three times during 2004.

The Remuneration Committee
In 2004, Rank's Remuneration Committee was comprised solely of independent non-executive Directors. The Committee is chaired by John Sunderland and its other members are Richard Greenhalgh, Peter Jarvis and Oliver Stocken. The Remuneration Committee meets not less than twice a year and is responsible for determining the remuneration packages of the Chairman, the executive Directors, and other members of the Executive Committee. Details of the

Remuneration Committee's deliberations during 2004 are contained in the Remuneration Report on pages 39 to 44, which also summarises the Company's remuneration policy and contains details of Directors' remuneration. The Committee met formally five times during 2004.

Attendance

Details of attendances of Directors and Committee members at the principal Board and Committee meetings in 2004 are as follows:

	Board (Total 10)	Audit (Total 4)	Remuneration (Total 5)	Nominations (Total 3)	Finance (Total 8)
Alun Cathcart	10	–	–	3	8
Ian Dyson	10	–	–	–	8
Richard Greenhalgh*	6	–	2	–	–
Peter Jarvis	9	4	4	3	–
Brendan O'Neill**	3	1	–	–	–
Mike Smith	10	–	–	3	8
Oliver Stocken	10	4	4	–	–
John Sunderland	10	4	5	3	–

*appointed 1 July 2004
**appointed 1 October 2004

In the very few instances when a Director has not been able to attend Board or Committee meetings, his comments on the papers to be considered at that meeting have been relayed in advance to the relevant Chairman.

The Executive Committee

The Executive Committee is not a committee of the Board. Its role is to assist the Chief Executive in fulfilling his responsibilities for directing and promoting the profitable operation and development of the Group, consistent with the primary objective of creating long term shareholder value. It currently consists of the Chief Executive, Finance Director, Company Secretary, Group Human Resources Director, and the Managing Directors of the Group's divisions.

Accountability and audit

The process by which the Board applies the principles of accountability and audit is set out below, including a statement of the Directors' responsibilities in relation to the Accounts.

Relations with shareholders

The Company maintains an active dialogue with its institutional shareholders and city analysts through a planned programme of investor relations, and regular meetings are held with principal shareholders. The outcome of these meetings is reported to the whole Board to ensure it keeps in touch with shareholder opinion. The programme includes formal presentations of full year and interim results.

All shareholders are welcome to attend the Annual General Meeting and private investors are encouraged to take advantage of the opportunity given to ask questions. The Chairmen of the Audit, Remuneration and Nominations Committees attend the meeting and are available to answer questions, as appropriate. A summary presentation of the Company's results and development plans is given by the Chief Executive at the Annual General Meeting prior to the commencement of the formal business of that meeting.

Compliance with the Code provisions

Save in respect of the composition of the Nominations Committee, the Company has, throughout the year, complied with the provisions of the Code.

Risk management and internal control

The Board maintained the procedures necessary to comply with the requirements of the Code relating to internal control and the September 1999 guidance "Internal Control: Guidance for Directors on the Combined Code" (Turnbull Report). In relation to Code provision C.2.1, the Board reports below on the procedures that have been applied in reviewing the effectiveness of the system of internal control.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. The process has been in place throughout the year and up to the date of approval of the Annual Report and Accounts. It is regularly reviewed by the Board and accords with the guidance set out in the Turnbull Report.

The Directors acknowledge that they are responsible for the Group's system of internal control, for setting policy on internal control, and for reviewing the effectiveness of internal control. The role of management is to implement Board policies on risk and control. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Considerable importance is placed on maintaining a strong control environment. In particular, there is a simple organisational structure with clearly drawn lines of accountability and delegation of authority; adherence to specified codes of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

A Group risk management policy has been produced and regular meetings of a Group Risk Management Committee take place, chaired by the Finance Director. The Group Risk Management Committee directs and reviews risk management activities within the Group, so that the significant risks facing the Group can be reported to the Audit Committee and the Board. The Group-wide risk assessment process includes a review that covers all controls, including financial, operational and compliance controls, and risk management. The report to the Audit Committee also provides information on the management and control of significant risks, and monitors compliance with the Group risk management policy.

The Group has an internal audit function that reports to the Company Secretary. Detailed control procedures exist throughout the operations of the Group and compliance is monitored by management, internal auditors and, to the extent they consider necessary to support their audit report, the external Auditors. Additionally, Gaming division has a compliance function that monitors day-to-day adherence to control procedures.

The Board recognises its obligations as a foreign registrant under the US Securities and Exchange Commission, including the requirement to comply, where appropriate, with the Sarbanes-Oxley Act of 2002. A Disclosures Committee was established in 2003 to evaluate the effectiveness of the Group and divisional disclosure controls and procedures; the Committee met four times in 2004. Additionally, in 2004 work has continued to document and test the internal controls structure and procedures to comply with Section 404 of the Sarbanes-Oxley Act.

The Audit Committee has reviewed the effectiveness of the system of internal control during the year ended 31 December 2004. This has included consideration of the Group-wide risk assessment and the results of self-certification of internal control exercises

undertaken throughout the Group. The Audit Committee has also considered reports from the internal and external Auditors.

The Audit Committee has reported the results of its work to the Board, and the Board has considered these reports when undertaking its review of the effectiveness of the Group's system of internal control.

Going concern
After reviewing the Group's budget for 2005 and its medium term plans, the Directors are confident that the Company and the Group have adequate financial resources to continue in operational existence for the foreseeable future. They have therefore continued to adopt the going concern basis in preparing the accounts.

Directors' Responsibilities in Relation to the Accounts

The Directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts the Directors are required to select appropriate accounting policies and apply them consistently, to make reasonable and prudent judgements and estimates, and to state that all accounting standards which they consider to be applicable have been followed, save as disclosed in the notes to the accounts. The Directors are also required to prepare the accounts on the going concern basis unless it is inappropriate to do so.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The Directors also have responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses, the statement of movement in shareholders' funds and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Directors' Remuneration Report ("the auditable part").

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities. The Directors are also responsible for preparing the Directors' Remuneration Report.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the Directors' Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's statement, the Chief Executive's review, the Operating and Financial Review, the Corporate Governance statement and other information included in the contents list.

We review whether the Corporate Governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and of the loss and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

8 March 2005

Group Profit and Loss Account for the year ended 31 December 2004

	Note	2004 Before exceptional items £m	2004 Exceptional items £m	2004 Total £m	2003 (as restated)* Before exceptional items £m	2003 (as restated)* Exceptional items £m	2003 (as restated)* Total £m
Turnover							
Continuing operations	2	**1,943.0**	**–**	**1,943.0**	1,925.9	–	1,925.9
Acquisitions	2	**10.3**	**–**	**10.3**	–	–	–
	1, 2	**1,953.3**	**–**	**1,953.3**	1,925.9	–	1,925.9
Operating profit before goodwill amortisation		**204.9**	**(58.1)**	**146.8**	218.0	(51.1)	166.9
Goodwill amortisation	2	**(7.8)**	**–**	**(7.8)**	(6.4)	–	(6.4)
Operating profit							
Continuing operations	2	**196.4**	**(58.1)**	**138.3**	211.6	(51.1)	160.5
Acquisitions	2	**0.7**	**–**	**0.7**	–	–	–
Group operating profit	1, 2	**197.1**	**(58.1)**	**139.0**	211.6	(51.1)	160.5
Share of operating profit in joint ventures and associates							
Joint ventures	12	**0.6**	**–**	**0.6**	1.1	–	1.1
Associated undertakings	13	**(0.1)**	**–**	**(0.1)**	(0.3)	–	(0.3)
Total operating profit		**197.6**	**(58.1)**	**139.5**	212.4	(51.1)	161.3
Non-operating items							
Net loss on disposal of continuing operations	3	**–**	**(4.1)**	**(4.1)**	–	–	–
Net profit on disposal of previously discontinued operations	3	**–**	**–**	**–**	–	4.6	4.6
Provision for loss on disposal of continuing operations	3	**–**	**(181.4)**	**(181.4)**	–	–	–
Profit (loss) before interest		**197.6**	**(243.6)**	**(46.0)**	212.4	(46.5)	165.9
Net interest payable and similar charges							
Group	4	**(36.8)**	**–**	**(36.8)**	(31.3)	(11.5)	(42.8)
Joint ventures	12	**(0.5)**	**–**	**(0.5)**	(0.4)	–	(0.4)
		(37.3)	**–**	**(37.3)**	(31.7)	(11.5)	(43.2)
Profit (loss) on ordinary activities before tax		**160.3**	**(243.6)**	**(83.3)**	180.7	(58.0)	122.7
Tax on profit (loss) on ordinary activities	5	**(44.9)**	**9.5**	**(35.4)**	(53.7)	26.1	(27.6)
Profit (loss) on ordinary activities after tax		**115.4**	**(234.1)**	**(118.7)**	127.0	(31.9)	95.1
Equity minority interests	24	**(1.4)**	**0.7**	**(0.7)**	(2.3)	2.8	0.5
Profit (loss) for the financial year		**114.0**	**(233.4)**	**(119.4)**	124.7	(29.1)	95.6
Dividends and other appropriations							
Preference – non-equity	7	**–**	**–**	**–**	(17.1)	–	(17.1)
Ordinary – equity	7	**(90.2)**	**–**	**(90.2)**	(82.8)	–	(82.8)
Transfer to (from) reserves	23	**23.8**	**(233.4)**	**(209.6)**	24.8	(29.1)	(4.3)
Basic earnings (loss) per Ordinary share	8	**19.0p**	**(38.9)p**	**(19.9)p**	18.2p	(4.9)p	13.3p
Diluted earnings (loss) per Ordinary share	8	**19.0p**	**(38.9)p**	**(19.9)p**	17.5p	(4.7)p	12.8p
Basic earnings (loss) per Ordinary share before goodwill amortisation	8	**20.0p**	**(38.9)p**	**(18.9)p**	19.2p	(4.9)p	14.3p

There is no difference between the result as disclosed in the profit and loss account and that on an unmodified historical cost basis.

*2003 has been restated for FRS 17

		Group		Company	
		2004	2003* (as restated)	**2004**	2003* (as restated)
	Note	**£m**	£m	**£m**	£m
Fixed assets					
Intangible assets	9	**117.7**	123.9	**–**	–
Tangible assets	10	**718.7**	803.2	**–**	–
Investments					
Subsidiary undertakings	11	**–**	–	**1,762.7**	1,762.7
Joint ventures					
Share of gross assets		**16.8**	17.7	**–**	–
Share of gross liabilities		**(10.1)**	(10.9)	**–**	–
	12	**6.7**	6.8	**–**	–
Associated undertakings	13	**–**	3.0	**–**	–
Other	14	**48.2**	46.8	**–**	–
		54.9	56.6	**1,762.7**	1,762.7
		891.3	983.7	**1,762.7**	1,762.7
Current assets					
Stocks	15	**65.1**	70.2	**–**	–
Debtors (amounts falling due within one year)	16	**370.7**	420.1	**44.7**	13.4
Debtors (amounts falling due after more than one year)	16	**304.5**	335.8	**–**	–
Investments	17	**9.6**	4.2	**–**	–
Cash and deposits	17	**74.7**	167.9	**–**	0.1
		824.6	998.2	**44.7**	13.5
Creditors (amounts falling due within one year)					
Loan capital and borrowings (including convertible debt)	18	**(21.9)**	(292.1)	**–**	(147.1)
Other	20	**(442.9)**	(441.7)	**(846.2)**	(788.2)
		(464.8)	(733.8)	**(846.2)**	(935.3)
Net current assets (liabilities)		**359.8**	264.4	**(801.5)**	(921.8)
Total assets less current liabilities		**1,251.1**	1,248.1	**961.2**	840.9
Creditors (amounts falling due after more than one year)					
Loan capital and borrowings (including convertible debt)	18	**(669.1)**	(580.5)	**(164.6)**	–
Other	20	**(113.3)**	(105.7)	**–**	–
		(782.4)	(686.2)	**(164.6)**	–
Provisions for liabilities and charges	21	**(29.7)**	(37.6)	**(1.1)**	(2.2)
Net assets excluding pension liability		**439.0**	524.3	**795.5**	838.7
Pension liability	30	**(24.3)**	(50.1)	**–**	–
Net assets including pension liability		**414.7**	474.2	**795.5**	838.7
Capital and reserves					
Called up share capital	23	**62.4**	59.6	**62.4**	59.6
Share premium account	23	**88.3**	17.5	**88.3**	17.5
Capital redemption reserve	23	**24.8**	24.8	**24.8**	24.8
Other reserves	23	**230.5**	356.2	**620.0**	736.8
Equity shareholders' funds		**406.0**	458.1	**795.5**	838.7
Equity minority interests	24	**8.7**	16.1	**–**	–
Total capital employed		**414.7**	474.2	**795.5**	838.7

*2003 has been restated for FRS 17, UITF 38 and UITF 17 (2003)

These accounts were approved by the Board on 8 March 2005 and signed on its behalf by:
Alun Cathcart, Chairman
Ian Dyson, Finance Director

Group Cash Flow Statement for the year ended 31 December 2004

	Note	2004 £m	2003* (as restated) £m
Net cash inflow from operating activities	25	**260.2**	291.9
Returns on investment and servicing of finance			
Interest received		**9.0**	18.4
Interest paid		**(50.1)**	(57.0)
Dividends paid to convertible preference shareholders		**(0.2)**	(24.9)
Dividends paid to minority shareholders in subsidiary undertakings		**(1.9)**	(2.1)
		(43.2)	(65.6)
Taxation received (paid) (net)		**11.9**	(27.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(115.6)**	(111.4)
Purchase of investments		**–**	(2.8)
Sale of fixed assets and assets held for disposal		**7.3**	9.8
		(108.3)	(104.4)
Acquisitions and disposals			
Purchase of subsidiaries	26	**(70.5)**	(53.7)
Cash acquired with subsidiaries	26	**0.9**	1.6
Sale of businesses and investments		**30.3**	–
Net cash disposed		**(0.4)**	–
Investment in joint ventures and associated undertakings		**(5.1)**	–
		(44.8)	(52.1)
Ordinary dividends paid		**(84.3)**	(79.4)
Cash outflow before use of liquid resources and financing		**(8.5)**	(37.4)
Management of liquid resources	28	**(5.6)**	19.6
Financing			
Issue (redemption) of share capital		**2.8**	(214.7)
Changes in debt and lease financing			
Debt due within one year:			
(repayment) receipt of sterling borrowings		**(82.9)**	82.1
repayment of dollar borrowings		**(104.2)**	(24.5)
Debt due after more than one year:			
repayment of sterling borrowings		**–**	(125.0)
new US dollar private placements		**–**	304.3
drawdown on syndicated facilities		**153.8**	200.0
repayment of syndicated facilities		**(200.0)**	(137.0)
net movements on other long term facilities		**4.6**	7.2
new sterling convertible bond		**164.6**	–
repayment of dollar borrowings		**(4.9)**	–
Capital element of finance lease rental payments		**(5.1)**	(3.8)
Net cash (outflow) inflow from financing		**(71.3)**	88.6
(Decrease) increase in cash	27, 28	**(85.4)**	70.8

*2003 has been restated for UITF 38

Group Recognised Gains and Losses for the year ended 31 December 2004

	Note	2004 £m	2003 (as restated) £m
(Loss) profit for the financial year		**(119.4)**	95.6
Currency translation differences on foreign currency net investments		**3.3**	(10.2)
Tax on exchange adjustments offset in reserves		**2.3**	8.8
Actuarial gain recognised in the pension scheme	30	**28.5**	22.1
Movement on deferred tax relating to pension asset	22	**(8.6)**	(6.6)
Total recognised (losses) gains for the year		**(93.9)**	109.7
Prior year adjustment	23	**(68.9)**	
Total losses recognised since last annual report		**(162.8)**	

Movements in Group Shareholders' Funds for the year ended 31 December 2004

	Note	2004 £m	2003 (as restated) £m
(Loss) profit for the financial year		**(119.4)**	95.6
Dividends payable excluding provision for redemption premium	7	**(90.2)**	(99.9)
Retained loss for the year		**(209.6)**	(4.3)
Other recognised gains and losses (net)		**25.5**	14.1
New share capital subscribed	23	**73.6**	4.1
Redemption of convertible preference shares		**–**	(226.1)
Adjustment to purchase price on acquisition (goodwill)		**(18.8)**	–
Provision for goodwill on disposals	3	**76.7**	–
Credit in respect of employee share schemes		**0.5**	4.2
Net movement in shareholders' funds		**(52.1)**	(208.0)
Opening shareholders' funds as previously stated		**458.1**	748.6
Prior year adjustments			
UITF 38 – investments in own shares		**–**	(4.2)
FRS 17 – retirement benefits (net of deferred tax)		**–**	(78.3)
Opening shareholders' funds as restated		**458.1**	666.1
Closing shareholders' funds		**406.0**	458.1

Accounting Policies

1 Basis of preparation
The accounts are prepared under the historical cost convention, and comply with applicable accounting standards and the Companies Act 1985 on a basis consistent with the previous year except for the changes detailed below. The Group's profit and loss account and balance sheet include the accounts of the Company and its subsidiary undertakings, and the Group's share of profits or losses and reserves of its joint ventures and associated undertakings. The profits or losses of subsidiary undertakings acquired or sold during the period are included as from or up to the dates on which control passed. All business combinations are accounted for using the acquisition accounting method.

Changes in accounting policy
The Group has adopted Urgent Issues Task Force (UITF) abstract 38 "Accounting for ESOP trusts" and abstract 17 (2003) "Employee share schemes" in 2004. UITF 38 requires investments in own shares to be deducted from equity and not disclosed as an investment. In addition, in the cash flow statement, amounts paid to purchase own shares are disclosed as financing and not capital expenditure and financial investment. UITF 17 (2003) requires the cost of the shares awarded to be equal to the fair value of the shares at the grant date. These changes in accounting policy have been accounted for as a prior period adjustment. These changes reduce shareholders' funds by £Nil for the year ended 31 December 2003, and reduce cash outflow before use of liquid resources and financing by £3.7m for the year ended 31 December 2003. There has been no restatement of the Group's profit and loss account as this change is not significant.

The Group has also adopted Financial Reporting Standard 17 "Retirement benefits" (FRS 17). FRS 17 requires the assets and liabilities of the Group's defined benefit pension scheme to be recognised on the Group's balance sheet. In addition, current service costs and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total gains and losses. This change in accounting policy has also been accounted for as a prior period adjustment and accordingly the results reported in 2003 have been restated. The change reduces shareholders' funds for the year ended 31 December 2003 by £68.9m, net of deferred tax and reduces profit for the year ended 31 December 2003 by £6.1m, net of tax.

	FRS 17 £m	UITF 38 £m	**Total £m**
Analysis of prior period adjustment			
Adjustment to opening shareholders' funds at 1 January 2003	(78.3)	(4.2)	**(82.5)**
Adjustment to profit and loss account for year ended 31 December 2003	(6.1)	–	**(6.1)**
Adjustment to statement of total recognised gains and losses for year ended 31 December 2003	15.5	–	**15.5**
Re-presentation of the balance sheet	–	4.2	**4.2**
	(68.9)	–	**(68.9)**

2 Foreign currency
Revenues, costs and cash flows of overseas undertakings are included in the Group profit and loss account at average rates of exchange. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date except where a forward exchange contract has been arranged when the contracted rate is used. Exchange differences on the retranslation of opening net assets and results for the period of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings and are reported in the statement of recognised gains and losses. Other gains and losses arising from foreign currency transactions, including trading, are included in the consolidated profit and loss account.

The principal exchange rates against sterling affecting the Group were:

	2004		2003	
	Year-end	Average	Year-end	Average
US dollar	**1.92**	**1.84**	1.79	1.63
Canadian dollar	**2.30**	**2.40**	2.31	2.32
Euro	**1.41**	**1.46**	1.42	1.45

3 Income recognition
Turnover consists of sales of goods and services and is generally recognised as goods are shipped or services are rendered. Turnover for casinos includes the gaming win before deduction of gaming duty and turnover for bingo includes gross profits tax. Turnover for Blue Square represents settled stakes. Turnover from sales of goods in Deluxe is recognised when the significant risks and benefits of ownership of the product have transferred to the purchaser, which may be upon shipment or upon completion of the product and it being held for delivery, based on the specific contract terms.

4 Contract advances
The Deluxe businesses enter into contracts with major customers that span several years. As part of these contracts, Deluxe provides advance cash payments to the customers. Both Deluxe Media Services and Deluxe Film capitalise the total commitment payable under each contract within debtors at the date of the agreement and record a corresponding liability on the balance sheet for any outstanding unpaid amounts. Within Deluxe Media Services, capitalised contract costs are amortised through the profit and loss account on the basis of units produced. Within Deluxe Film, contract advances are amortised on the basis of estimated total footage over the life of the contract, unless the terms of the contract indicate an alternative treatment would be more appropriate.

5 Goodwill
Goodwill arising on acquisitions made before 31 December 1997 has been written off directly to reserves. Goodwill arising on acquisitions made subsequent to 31 December 1997 has been capitalised and is being amortised on a straight line basis over its useful economic life of 20 years or less.

6 Stocks
Stocks include work in progress and are valued at the lower of cost (including an appropriate proportion of overhead) and net realisable value.

7 Tangible fixed assets
Freehold properties are depreciated on a straight line basis over 50 years or their useful life, if less. Leased properties are depreciated over the lesser of 50 years, their useful life or the term of the lease. No depreciation is provided on freehold land. Expenditure on major refurbishment of properties is amortised over periods of between 3 and 15 years. Other fixed assets are depreciated mainly at rates between 5% and 33% per annum on a straight line basis.

Pre-opening costs are expensed as incurred.

Casino properties are depreciated over the useful economic life of the physical properties to their residual values. Both the initial carrying amount and residual value take into account the trading potential of the property with the benefit of the casino licences.

8 Leased assets
Assets acquired under finance leases are included in tangible fixed assets. Depreciation is provided at rates designed to write off the cost in equal annual amounts over the shorter of the estimated useful lives of the assets (which are the same as those for assets purchased outright) and the period of the leases. The capital element of future rentals is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases in proportion to the balances outstanding. Operating lease payments are charged to the profit and loss account as incurred. Any operating lease incentives are allocated to the profit and loss account on a straight line basis over the period to which the lease incentive relates.

9 Impairment of fixed assets and goodwill
Fixed assets and goodwill identified as impaired are written down to the higher of post-tax net realisable value and value-in-use. Appropriate discount rates and growth assumptions are used to determine value-in-use.

10 Investments
Investments are stated at cost less any provision for impairment.

11 Pensions
The pension costs relating to the UK defined contribution scheme represent the contributions payable by the Group. Overseas schemes are accounted for in accordance with local conditions and practice such that the costs are charged against profits on a systematic basis over the service lives of the employees.

The pension costs relating to the UK defined benefit scheme are accounted for using FRS 17. Current service costs and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

12 Taxation
Current tax is applied to taxable profits at the rates ruling in the relevant country.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse.

13 Financial instruments

Derivative instruments that may be used by the Group are forward interest rate swaps and caps, cross currency swaps, forward starting swaps, forward rate agreements, interest rate swaps, interest rate swap options, forward foreign exchange and commodity contracts and currency options.

Derivative instruments that are currently used by the Group are interest rate swaps, forward foreign exchange and commodity contracts and short term currency swaps. These instruments are used to manage interest rate and foreign exchange and commodity price risk.

The forward foreign exchange contracts are used to hedge future transaction flows. The resulting gains and losses are recognised as they arise and offset against gains and losses in the related underlying exposure.

The interest rate differentials from interest rate swaps used to manage the amounts and periods for which interest rates on underlying debt is fixed are recorded through an adjustment of net interest payable.

Commodity forwards are used to hedge the future transaction flows arising from the sale of precious metals produced as a by-product of film processing.

The underlying principal amounts of short term currency swaps are revalued at the exchange rates as at the balance sheet date and included in current asset investments or creditors to the extent that they are not related to underlying debt. The interest rate element of these contracts is recognised as part of net interest payable over the term of the agreement.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are determinable monetary amounts, and the Group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

The Group capitalises the cost of issuing debt and amortises the cost over the length of the debt.

1 Segmental information

	Turnover		Profit (loss) before exceptional items		Profit (loss) after exceptional items		Capital employed (b)	
	2004	2003	**2004**	2003 (as restated)	**2004**	2003 (as restated)	**2004**	2003 (as restated)
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Analysis by division (a)								
Gaming	**937.4**	865.7	**112.0**	110.9	**112.0**	104.9	**673.0**	655.9
Hard Rock	**232.0**	234.0	**27.8**	23.1	**(3.2)**	23.1	**598.3**	669.6
Deluxe	**751.7**	788.5	**66.3**	88.8	**39.2**	53.0	**589.8**	707.4
US Holidays	**32.2**	37.7	**4.2**	6.0	**4.2**	6.0	**53.0**	57.3
Central costs and other	**–**	–	**(13.2)**	(17.2)	**(13.2)**	(26.5)	**–**	–
Continuing operations including acquisitions	**1,953.3**	1,925.9	**197.1**	211.6	**139.0**	160.5	**1,914.1**	2,090.2
Share of investments (c)			**–**	0.4	**–**	0.4	**54.9**	56.6
Total capital employed							**1,969.0**	2,146.8
Non-operating items (net) (d)			**–**	–	**(185.5)**	4.6		
Group interest payable and other similar charges			**(36.8)**	(31.3)	**(36.8)**	(42.8)		
Profit (loss) on ordinary activities before tax			**160.3**	180.7	**(83.3)**	122.7		

(a) Inter-segmental turnover is not material. Analysis on acquisitions is given in note 26.
(b) Capital employed comprises net operating assets plus purchased goodwill, including goodwill previously written off to reserves (note 23).
(c) Share of investments' profit is defined as share of profit before tax. Share of investments' capital employed is the carrying value in the Group's balance sheet plus purchased goodwill. Investments comprise joint ventures, associates and other investments.
(d) Non-operating items consist of £4.1m relating primarily to the loss on disposal of a gaming business, RLMS, and £181.4m relating to provision for loss on disposal of Deluxe Media Services.

	Depreciation and goodwill amortisation		Investment expenditure		Net cash flow before financing		Net assets	
	2004	2003	**2004**	2003 (as restated)	**2004**	2003 (as restated)	**2004**	2003 (as restated)
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Analysis by division								
Gaming	**30.6**	44.0	**62.1**	64.3	**107.7**	74.1	**443.4**	444.3
Hard Rock	**15.7**	17.3	**13.3**	12.4	**26.4**	36.0	**98.8**	146.2
Deluxe	**32.3**	32.6	**37.4**	33.7	**(0.6)**	41.0	**410.5**	436.5
US Holidays	**0.7**	0.8	**2.8**	1.0	**5.6**	7.8	**31.8**	34.5
Central costs and other	**0.1**	0.2	**–**	–	**(32.0)**	(20.7)	**–**	–
Continuing operations including acquisitions	**79.4**	94.9	**115.6**	111.4	**107.1**	138.2	**984.5**	1,061.5
Investments			**–**	2.8	**–**	(2.8)	**54.9**	56.6
			115.6	114.2	**107.1**	135.4	**1,039.4**	1,118.1
Interest paid (net)					**(41.1)**	(38.6)		
Tax and dividends					**(74.5)**	(134.2)	**(35.2)**	20.1
Other non-operating assets (net)							**(76.2)**	(37.3)
Acquired debt and other non-cash items			**–**	–	**–**	–		
Goodwill							**117.7**	123.9
Net debt							**(606.7)**	(700.5)
Pension liability							**(24.3)**	(50.1)
			115.6	114.2	**(8.5)**	(37.4)	**414.7**	474.2

1 Segmental information continued

	Turnover by origin		Operating profit by origin: Before exceptional items		Operating profit by origin: After exceptional items		Net operating assets (a)	
	2004 **£m**	2003 £m	**2004** **£m**	2003 (as restated) £m	**2004** **£m**	2003 (as restated) £m	**2004** **£m**	2003 (as restated) £m
Geographical analysis								
UK	**1,160.6**	1,064.3	**106.2**	93.1	**91.6**	83.3	**541.4**	554.0
North America	**612.0**	665.6	**48.1**	87.7	**23.8**	47.1	**333.7**	399.7
Rest of the World	**180.7**	196.0	**42.8**	30.8	**23.6**	30.1	**109.4**	107.8
Continuing operations	**1,953.3**	1,925.9	**197.1**	211.6	**139.0**	160.5	**984.5**	1,061.5

Turnover by destination is not materially different from turnover by origin.
(a) Net assets includes assets attributable to businesses acquired during the year.
Geographical analysis of the non-operating charge of £185.5m: £50.0m relates to the UK, £118.6m to North America and £16.9m to the Rest of the World.

2 Turnover and operating profit

	2004 Continuing operations £m	**2004** Acquisitions £m	**2004** Total £m	2003 (as restated) £m
Turnover	**1,943.0**	**10.3**	**1,953.3**	1,925.9
Cost of sales	**(1,551.9)**	**(5.7)**	**(1,557.6)**	(1,495.4)
Gross profit	**391.1**	**4.6**	**395.7**	430.5
Distribution costs	**(64.3)**	**(0.3)**	**(64.6)**	(54.4)
Administrative expenses	**(197.7)**	**(3.6)**	**(201.3)**	(223.4)
Other operating income	**9.2**	**–**	**9.2**	7.8
Operating profit	**138.3**	**0.7**	**139.0**	160.5
Exceptional items included above are:				
In cost of sales	**(58.1)**	**–**	**(58.1)**	(41.8)
In administrative expenses	**–**	**–**	**–**	(9.3)

	2004 **£m**	2003 £m
Operating profit is stated after charging the following items:		
In normal trading		
Depreciation of tangible fixed assets	**71.6**	88.5
Amortisation of goodwill	**7.8**	6.4
Operating lease payments – land and buildings	**59.5**	58.1
Operating lease payments – plant and machinery	**12.3**	14.1
In exceptional items		
Deluxe restructuring charges	**27.1**	41.8
Hard Rock asset impairment and onerous lease provisions	**31.0**	–
Amounts provided for legal settlements	**–**	9.3

The exceptional charge of £58.1m comprises £27.1m relating to restructuring of Deluxe Media Services and £31.0m in respect of asset impairment and onerous lease provisions relating to the carrying value of assets in the Hard Rock business.

In May 2004, Deluxe Media Services was informed by a major studio that it would be transferring its business to another supplier on a staged basis over the period to July 2005. This contract relates primarily to European DVD manufacturing and distribution. Although negotiations for replacement contracts are ongoing, no major contracts have yet been secured and accordingly an exceptional charge of £23.1m, comprising an impairment charge of £18.0m, onerous lease provisions of £3.8m, and other costs of £1.3m, has been recorded.

Deluxe Media Services also incurred an exceptional charge of £4.0m in respect of the VHS restructuring announced at the time of the 2003 year-end results in February 2004. These charges relate to the closure of VHS manufacturing facilities in Germany, Italy and Portugal.

2 Turnover and operating profit continued

During 2004 Hard Rock performed a detailed review and decided to relocate the flagship New York Cafe and to close the Vault, a rock and roll museum in Orlando. In addition, impairment reviews were performed on a number of underperforming units and some discontinued merchandise was written off. The impact is an exceptional charge of £31.0m of which £23.3m relates to impairment of fixed assets, £4.8m relates to onerous lease provisions and £2.9m to the write-off of discontinued merchandise.

The exceptional charge in 2003 relates to restructuring of Deluxe Media Services (£35.8m), the integration of Blue Square with Rank Interactive Gaming (£6.0m) and legal settlements (£9.3m).

During the year the Group's Auditors, PricewaterhouseCoopers LLP, earned the following fees:

	2004 £m	2003 £m
Audit fees		
UK	**0.8**	0.8
Overseas	**0.7**	0.7
	1.5	1.5
Non-audit services		
UK	**3.3**	0.6
Overseas	**0.2**	0.2
	3.5	0.8
	5.0	2.3
Audit services were as follows:		
Statutory audit	**1.4**	1.4
Audit related regulatory reporting	**0.1**	0.1
	1.5	1.5
Non-audit services were as follows:		
Further assurance services (principally due diligence)	**3.0**	0.5
Compliance services	**0.2**	0.2
Tax advisory services	**0.3**	0.1
	3.5	0.8

The Auditors' remuneration for the Company was £55,000 (2003 – £52,000).

It is the Group's policy to employ PricewaterhouseCoopers LLP on assignments additional to their statutory audit duties where their expertise and experience with the Group are important, principally in the areas of transaction services, stock exchange transactions and tax advice. The Group's policy is, where appropriate, that work is put out to competitive tender. The Audit Committee monitors the relationship with PricewaterhouseCoopers LLP, including the level of non-audit fees.

3 Non-operating items

	2004 £m	2003 £m
Profit on disposal of previously discontinued operations	**–**	4.6
Provision for loss on disposal of continuing operations	**(181.4)**	–
Net loss on disposal of continuing operations	**(4.1)**	–
Non-operating items before interest and tax	**(185.5)**	4.6

The Group has decided to separate Deluxe Media Services (DMS) from the rest of the Group by means of a sale and has written down the carrying value of DMS to expected proceeds. Given the status of the sale process, the total charge of £181.4m has been treated as a provision for loss on disposal. £104.7m was recognised in the balance sheet as a £25.4m impairment against goodwill, £51.7m impairment against fixed assets, £23.5m provision against contract advances and £4.1m for other costs. In addition, £76.7m goodwill, which had previously been written off to reserves, has been charged through the profit and loss account.

The net loss on disposal of continuing operations relates principally to the disposal of RLMS.

The non-operating charge in 2003 related to the write-back of provisions set up on the disposal of businesses in 1999 and 2000 which were no longer considered necessary.

4 Net interest payable and similar charges

	2004 £m	2003 (as restated) £m
Interest payable on bank loans and overdrafts	**4.3**	1.0
Interest payable on other loans	**45.0**	44.0
Finance charges on finance leases	**0.4**	0.5
Release of discount on provisions	**0.6**	0.9
Interest payable and other similar charges	**50.3**	46.4
Profit on disposal of Seminole Indian bond	**–**	(2.1)
Interest receivable from deposits and current asset investments	**(13.5)**	(13.0)
	36.8	31.3
Exceptional premium payable on redemption of £125m Eurobond	**–**	11.5
	36.8	42.8

Finance income relating to FRS 17 is £3.2m (2003 – £1.6m charge).

5 Taxation on profit on ordinary activities

(a) Analysis of tax charge in year

	2004			2003 (as restated)		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
UK corporation tax						
Current	**6.2**	**(1.5)**	**4.7**	20.1	(2.1)	18.0
Prior year	**12.5**	**–**	**12.5**	(17.6)	(4.0)	(21.6)
	18.7	**(1.5)**	**17.2**	2.5	(6.1)	(3.6)
Overseas tax						
Current	**13.0**	**(0.7)**	**12.3**	11.7	–	11.7
Prior year	**(14.5)**	**–**	**(14.5)**	(1.0)	–	(1.0)
	(1.5)	**(0.7)**	**(2.2)**	10.7	–	10.7
Taxation on share of profits of associated undertakings and joint ventures	**0.3**	**–**	**0.3**	0.2	–	0.2
Total current tax	**17.5**	**(2.2)**	**15.3**	13.4	(6.1)	7.3
UK deferred tax						
Timing differences	**11.1**	**–**	**11.1**	12.4	(8.7)	3.7
Overseas deferred tax						
Timing differences	**16.3**	**(7.3)**	**9.0**	27.9	(11.3)	16.6
Total deferred tax	**27.4**	**(7.3)**	**20.1**	40.3	(20.0)	20.3
Tax on profit (loss) on ordinary activities	**44.9**	**(9.5)**	**35.4**	53.7	(26.1)	27.6

The tax credit on the exceptional charge is £9.5m.

5 Taxation on profit on ordinary activities continued

(b) Taxation reconciliation

The tax charge for the year differs from the standard rate of UK corporation tax (30%). The differences are explained below:

	2004 £m	2003 (as restated) £m
(Loss) profit on ordinary activities before tax	**(83.3)**	122.7
(Loss) profit on ordinary activities before tax at 30% (2003 – 30%)	**(25.0)**	36.8
Effects of:		
Permanent differences	**68.6**	23.0
Capital allowances in excess of depreciation	**(17.0)**	(8.2)
Differences in overseas tax rates	**4.8**	(21.0)
Adjustments relating to prior years	**(1.9)**	(22.6)
Other timing differences	**(14.2)**	(0.7)
Total current tax	**15.3**	7.3

The effective tax rate for the year has been impacted by a number of adjustments relating to prior years, being offset by significant permanent differences.

6 Results attributable to the parent company

The loss for the financial year in the accounts of The Rank Group Plc was £31.5m (2003 – £1.9m). As permitted by S. 230 Companies Act 1985, no profit and loss account is presented in respect of The Rank Group Plc.

7 Dividends

	2004 £m	2003 £m
Convertible preference shares – non-equity		
Dividends payable for the period	**–**	17.1
	–	17.1
Ordinary shares – equity		
Interim declared of 4.8p per share (2003 – 4.6p)	**29.1**	27.3
Final proposed of 9.8p per share (2003 – 9.3p)	**61.1**	55.5
	90.2	82.8

8 Earnings per Ordinary share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary shares in issue during the year, excluding those held in the employee benefit trust which are treated as cancelled.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares comprising those share options granted to employees if conversion would be dilutive. In addition, the diluted weighted average number of shares is adjusted to reflect the conversion of any convertible debt if conversion would be dilutive.

	2004			2003 (as restated)		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
Basic earnings (loss) before goodwill amortisation (£m)	**119.5**	**(233.4)**	**(113.9)**	113.1	(29.1)	84.0
Weighted average number of Ordinary shares (m)			**598.7**			592.3
Basic earnings (loss) per Ordinary share before goodwill amortisation	**20.0p**	**(38.9)p**	**(18.9)p**	19.2p	(4.9)p	14.3p
Basic earnings (£m)	**114.0**	**(233.4)**	**(119.4)**	107.6	(29.1)	78.5
Weighted average number of Ordinary shares (m) – basic			**598.7**			592.3
Basic earnings (loss) per Ordinary share	**19.0p**	**(38.9)p**	**(19.9)p**	18.2p	(4.9)p	13.3p
Diluted earnings (£m)	**114.0**	**(233.4)**	**(119.4)**	108.4	(29.1)	79.3
Weighted average number of Ordinary shares (m) – diluted			**598.7**			618.5
Diluted earnings (loss) per Ordinary share	**19.0p**	**(38.9)p**	**(19.9)p**	17.5p	(4.7)p	12.8p

Earnings per share before exceptional items has been calculated to show the impact of exceptional items as these can have a distorting effect on earnings and therefore warrant separate consideration.

Earnings per share before goodwill amortisation has been calculated to show the impact of goodwill amortisation after tax as management believes the measure provides clearer guidance on underlying business performance.

9 Intangible fixed assets

	Goodwill £m
Cost at 31 December 2003	136.1
Currency translation adjustment	(4.1)
Additions (note 26)	28.2
Purchase of minority interest (note 26)	3.8
Fair value adjustments	2.7
Cost at 31 December 2004	**166.7**
Amortisation at 31 December 2003	12.2
Currency translation adjustment	(0.2)
Amortisation for the year	7.8
Provision for impairment	29.2
Amortisation at 31 December 2004	**49.0**
Net book amount at 31 December 2004	**117.7**
Net book amount at 31 December 2003	123.9

Fair value adjustments relate to the finalisation of provisional fair value adjustments relating to acquisitions made in 2003 primarily in respect of deferred tax losses (note 22).

Further details on the provision for impairment are provided in notes 2 and 3.

10 Tangible fixed assets

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Payments on account and assets in course of construction £m	Total £m
Group				
Cost at 31 December 2003	600.4	709.1	10.0	1,319.5
Currency translation adjustment	(9.6)	(11.6)	(0.7)	(21.9)
Additions	34.4	44.9	31.9	111.2
Acquisition of subsidiary undertakings (note 26)	0.7	9.3	–	10.0
Disposals	(7.8)	(33.8)	(0.9)	(42.5)
Disposal of subsidiary undertakings	(1.7)	(69.7)	–	(71.4)
Transfers	2.4	7.3	(9.7)	–
Cost at 31 December 2004	**618.8**	**655.5**	**30.6**	**1,304.9**
Depreciation at 31 December 2003	121.3	395.0	–	516.3
Currency translation adjustment	(4.1)	(6.9)	–	(11.0)
Disposals	(6.4)	(25.1)	–	(31.5)
Disposal of subsidiary undertakings	(0.3)	(45.1)	–	(45.4)
Provision for impairment	37.2	47.5	1.5	86.2
Depreciation for the year	16.1	55.5	–	71.6
Depreciation at 31 December 2004	**163.8**	**420.9**	**1.5**	**586.2**
Net book amount at 31 December 2004	**455.0**	**234.6**	**29.1**	**718.7**
Net book amount at 31 December 2003	479.1	314.1	10.0	803.2

(a) Land with a net book amount of £80.8m (2003 – £72.9m) is not depreciated. The net book amount of tangible assets for the Group includes £3.1m (2003 – £3.1m) of interest capitalised.

(b) The book amounts for fixtures, fittings, plant and machinery include the following amounts in respect of assets held under finance leases: cost £6.6m (2003 – £19.2m), accumulated depreciation £5.4m (2003 – £5.3m), net book amount £1.2m (2003 – £13.9m). The depreciation charge in the year in respect of these assets was £3.3m (2003 – £3.5m) plus a provision for impairment of £2.6m (2003 – £Nil).

(c) Further details on the provision for impairment are provided in notes 2 and 3.

	2004 £m	2003 £m
The net book amount of land and buildings comprises:		
Freeholds	**270.1**	262.0
Long leases (over 50 years unexpired)	**25.2**	27.4
Short leases	**159.7**	189.7
	455.0	479.1

11 Investments in subsidiary undertakings

	Company £m
Cost of shares at 31 December 2003 and 2004	2,845.7
Provisions at 31 December 2003 and 2004	(1,083.0)
Net book value at 31 December 2003 and 2004	**1,762.7**

Details of principal subsidiary undertakings are given on page 81.

12 Interests in joint ventures (unlisted)

	Participating interests £m
Balances at 31 December 2003	6.8
Currency translation adjustment	(0.3)
Additions	0.4
Share of losses after distributions	(0.2)
Balances at 31 December 2004	**6.7**

	2004 £m	2003 £m
Share of retained (loss) profit for the period		
Share of profits less losses after taxation	**(0.2)**	0.5
Dividends and distributions receivable by the Group	**–**	–
Amounts retained attributable to the Group	**(0.2)**	0.5

The Group's interests in joint ventures comprises 50% of the ordinary share capital of Atlab Holdings Pty Limited (Atlab). The remaining share capital is owned by Amalgamated Holdings Limited. The principal activity of Atlab is as an investment holding company. The company holds the investment in the Atlab Group of operating companies whose principal activities are film processing in Australasia.

The Group also has a 50% share in Lifestar, a joint venture between Hard Rock Hotels and Resorts and Sol Meliá Hotels and Resorts, to develop the Hard Rock Hotel concept throughout the Americas and Europe. Lifestar currently manages and operates hotels in Chicago and New York. The Group's own equity investment in these hotels is held separately and is included in other investments (note 14).

13 Interests in associated undertakings (unlisted)

	Group £m
Balances at 31 December 2003	3.0
Currency translation adjustment	(0.1)
Share of losses after distributions	(0.1)
Transfers to subsidiary undertakings (net of disposals)	(2.8)
Balances at 31 December 2004	**–**

	2004 £m	2003 £m
Share of retained loss for the period		
Share of operating loss	**(0.1)**	(0.3)
Amounts retained attributable to the Group	**(0.1)**	(0.3)

At 31 December 2003 the Group's interests in associated undertakings comprises 20% of the equity of EFILM LLC (EFILM), a Delaware limited liability company whose principal activity is the digital production of film elements necessary for bulk film processing.

On 6 August 2004 the Group acquired the remaining 80% of EFILM. Further details on the acquisition are provided in note 26.

14 Other investments

	Group (as restated) £m	Company (as restated) £m
Balances at 31 December 2003	46.8	–
Currency translation adjustment	(3.1)	–
Additions	4.7	–
Disposals	(0.2)	–
Balances at 31 December 2004	**48.2**	**–**

Other investments comprises £21.7m (2003 – £22.2m) in relation to the Group's 10% equity investment in Universal Studios Japan, £17.4m (2003 – £19.6m) in relation to the Group's investment in the Universal Rank Hotel partnership in the US, £8.5m (2003 – £4.2m) in relation to the Group's investment in the Hard Rock hotels in Chicago and New York, £0.6m (2003 – £0.6m) in respect of the Group's 10% equity investment in Medal Entertainment & Media plc and £Nil (2003 – £0.2m) in respect of the Group's 20% investment in Fancy a Flutter Limited. Further details on the prior period adjustment are provided in the changes in accounting policies note on page 54.

15 Stocks

	Group 2004 £m	Group 2003 £m
Raw materials and consumables	**36.6**	37.1
Work in progress	**1.6**	2.8
Finished goods and goods for resale	**15.8**	21.1
Completed properties for resale	**11.1**	9.2
	65.1	70.2

Replacement value of stock is not materially different to cost.

16 Debtors

	Group 2004 £m	Group 2003 (as restated) £m	Company 2004 £m	Company 2003 £m
Amounts falling due within one year				
Trade debtors	**188.1**	202.7	**–**	–
Other debtors	**42.2**	41.3	**1.1**	11.9
Instalment sale debtors and notes receivable	**0.3**	1.3	**–**	–
Advance contract payments	**71.1**	101.6	**–**	–
Deferred tax asset (note 22)	**27.1**	31.6	**–**	–
Prepayments and accrued income	**41.9**	41.6	**–**	1.5
Amounts owed by subsidiary undertaking	**–**	–	**43.6**	–
	370.7	420.1	**44.7**	13.4
Amounts falling due after more than one year				
Other debtors	**18.8**	36.3	**–**	–
Instalment sale debtors and notes receivable	**15.5**	20.0	**–**	–
Advance contract payments	**226.7**	216.0	**–**	–
Deferred tax asset (note 22)	**43.4**	63.0	**–**	–
Prepayments and accrued income	**0.1**	0.5	**–**	–
	304.5	335.8	**–**	–

Further details on the movement in advance contract payments are provided below:

	Group £m
Balance at 31 December 2003	317.6
Amortisation charge for the year	(75.6)
Additions	93.7
Provision for loss	(23.5)
Currency translation adjustment	(14.4)
Balance at 31 December 2004	**297.8**

Further details on the provision for loss are provided in note 3.

17 Cash, deposits and current asset investments

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Cash, current accounts and overnight deposits	**74.3**	167.6	**–**	0.1
Term deposits	**0.4**	0.3	**–**	–
	74.7	167.9	**–**	0.1
Current asset investments	**9.6**	4.2	**–**	–
Cash, deposits and current asset investments (notes 27, 28)	**84.3**	172.1	**–**	0.1

Current asset investments comprise amounts invested in cash and fixed deposit funds operated by external fund managers. The investments can be readily converted into cash. The funds are placed with counterparties with strong credit ratings. Cash, deposits and current asset investments are receiving interest at floating rates in their currency of denomination, with 59% of the total being held in sterling, 20% in US dollars and 21% in euros.

18 Loan capital and borrowings

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Bank overdrafts	**18.8**	25.6	**–**	–
Other borrowings repayable:				
Within one year or on demand	**3.1**	266.5	**–**	147.1
Between one and two years	**155.7**	3.4	**–**	–
Between two and five years	**273.5**	316.4	**164.6**	–
In five years or more	**239.9**	260.7	**–**	–
	672.2	847.0	**164.6**	147.1
Total	**691.0**	872.6	**164.6**	147.1
Unsecured convertible bond (net of financing costs)	**164.6**	65.0	**164.6**	65.0
Unsecured	**522.9**	797.4	**–**	82.1
Obligations under finance leases (secured)	**3.5**	10.2	**–**	–
Total	**691.0**	872.6	**164.6**	147.1
Amounts due within one year or on demand	**21.9**	292.1	**–**	147.1
Amounts due after more than one year	**669.1**	580.5	**164.6**	–
Loan capital and borrowings (notes 27, 28)	**691.0**	872.6	**164.6**	147.1

18 Loan capital and borrowings continued

The Group had the following undrawn committed borrowing facilities available at 31 December 2004 and 2003:

	2004 £m	2003 £m
Expiring between one and two years	**246.2**	–
Expiring after more than two years	**–**	200.0
Loan capital and borrowings	**246.2**	200.0

The analysis of other borrowings repayable includes £164.6m of convertible bonds (2003 – £65.0m). The bonds due in 2009 are convertible at the option of the holder into fully paid Ordinary shares at £3.764 per share. Interest is paid half yearly in January and July. None of the bonds were converted during the year. If the conversion rights attached to the bonds outstanding at 31 December 2004 were exercised, 44.6m Ordinary shares would fall to be issued. Unless previously redeemed or converted, the bonds will be redeemed at par in 2009.

The analysis of other borrowings repayable above includes obligations under finance leases, of which £2.3m (2003 – £6.2m) expire within one year, £0.6m (2003 – £2.9m) expire between one and two years, £0.4m (2003 – £0.7m) expire between two and five years, and £0.2m (2003 – £0.4) expire after five years.

Borrowings shown above include:

(a) £286.1m Private Placements (£35m, $482m) redeemable at par in 2007, 2010, 2013, 2015 (issued 2003);
(b) £52.1m US$100m 6.375% Yankee bonds redeemable at par in 2008 (issued 1998);
(c) £8.2m US$15.8m 7.125% Yankee bonds redeemable at par in 2018 (issued 1998);
(d) £164.6m 3.875% convertible unsecured loan stock due 2009 (issued 2004).

The funding policy of the Group is to maintain a broad portfolio of debt, diversified by source and maturity, and to maintain committed facilities sufficient to cover seasonal peak anticipated borrowing requirements.

The Company had £164.6m of borrowings at 31 December 2004 (2003 – £147.1m).

The finance costs of debt instruments are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount. Such costs include the costs of issue, any discount to face value arising on issue and any premium payable on maturity.

19 Financial instruments

A description of the policies relating to financial instruments is set out in the Operating and Financial Review on page 36, and also in the accounting policies on page 56. Short term debtors and creditors have been excluded from all the following disclosures other than within the currency risk disclosures.

(a) Interest risk management

Financial liabilities

Some 47% of the Group's loan capital and borrowings is at fixed rates of interest with a weighted average interest rate of 5.3% (2003 – 6.0%) and a weighted average term of 6.2 years (2003 – 5.0 years). At 31 December 2004, the Group's net debt was predominantly denominated in US dollars.

Gross borrowings of £874.0m include loan capital and borrowings of £691.0m (note 18), and the effect of currency and interest rate swaps. After taking account of interest rate and currency rate swaps, the currency and interest rate exposure of gross borrowings as at 31 December 2004 and 2003 was:

			Fixed rate borrowings		
2004	**Gross borrowings £m**	**Floating rate borrowings £m**	**Fixed rate borrowings £m**	**Weighted average interest rate %**	**Weighted average time for which rate is fixed years**
Sterling	**281.1**	**79.7**	**201.4**	**4.4**	**4.8**
US/Canadian dollar	**469.5**	**264.5**	**205.0**	**6.1**	**8.3**
Other currencies (net)	**123.4**	**121.9**	**1.5**	**3.4**	**2.9**
	874.0	**466.1**	**407.9**	**5.3**	**6.2**

			Fixed rate borrowings		
2003	Gross borrowings £m	Floating rate borrowings £m	Fixed rate borrowings £m	Weighted average interest rate %	Weighted average time for which rate is fixed years
Sterling	474.6	286.4	188.2	5.4	2.6
US/Canadian dollar	570.5	344.1	226.4	6.0	9.4
Other currencies (net)	132.2	129.8	2.4	3.4	2.6
	1,177.3	760.3	417.0	6.0	5.0

Floating rate borrowings incur interest based on relevant LIBOR equivalents.

In addition to the amounts disclosed in the above tables, the following meet the definition of financial liabilities:

- the Group's provisions of £13.9m (2003 – £13.6m) for vacant leasehold properties (note 21) are considered to be floating rate financial liabilities. This is because in establishing the provisions, the cash flows have been discounted using a discount rate which is re-appraised at each half-yearly reporting date to ensure it reflects current market assessments of the time value of money and the risks specific to the liability. £9.7m (2003 – £12.7m) of the balance is denominated in sterling and the remainder in US dollars.

- £50.6m (2003 – £54.1m) of the Group's contract advances which are payable after more than one year (note 20). No interest is payable on these US dollar denominated financial liabilities.

- £8.5m (2003 – £11.9m) of deferred consideration payable after more than one year in respect of the acquisition of subsidiary undertakings (note 20). Of this, £1.9m is denominated in euros and £6.6m in sterling.

Financial assets

The financial assets shown below include cash, deposits and current asset investments of £84.3m (note 17) and the sterling element of currency rate swaps.

	2004 £m	2003 £m
Sterling	**231.6**	373.3
US/Canadian dollar	**17.1**	78.0
Other currencies	**18.6**	25.5
Cash, investments and other financial assets	**267.3**	476.8

19 Financial instruments continued

Floating rate cash earns interest based on relevant LIBID equivalents, and investments earn interest according to the performance of the funds in which they are invested.

In addition to the amounts disclosed in the previous tables, the following meet the definition of financial assets:

– £226.7m of the Group's contract advances (note 16) which are receivable after more than one year. No interest is payable on these US dollar denominated financial assets.

– £48.2m of investments in equity shares (note 14) have been excluded from the interest rate risk profile as they have no maturity date and would thus distort the weighted average period information.

			Fixed rate assets		
2004 – Instalment sale debtors and notes receivable after one year	**Total asset £m**	**Floating rate asset £m**	**Fixed rate asset £m**	**Weighted average interest rate %**	**Weighted average time for which rate is fixed years**
US dollar	**15.5**	**9.6**	**5.9**	**12.2**	**5.4**

			Fixed rate assets		
2003 – Instalment sale debtors and notes receivable after one year	Total asset £m	Floating rate asset £m	Fixed rate asset £m	Weighted average interest rate %	Weighted average time for which rate is fixed years
US dollar	20.0	11.3	8.7	13.2	4.3

Floating rate instalment sale debtors and notes receivable after one year earn interest based on three and five year US treasury bills.

(b) Maturity of financial liabilities

The maturity of loan capital and borrowings is given in note 18 above.

For other financial liabilities, note 21 provides an indication of the nature of the underlying liabilities in respect of provisions. The maturity profile of these liabilities, together with deferred consideration and contract advances, is as follows:

	Onerous contracts £m	Contract advances £m	Deferred consideration £m	**2004 £m**	2003 £m
Within one year or on demand	4.8	–	–	**4.8**	3.7
Between one and two years	2.0	44.9	1.6	**48.5**	35.0
Between two and five years	3.8	5.7	6.9	**16.4**	38.6
Over five years	3.3	–	–	**3.3**	2.3
	13.9	50.6	8.5	**73.0**	79.6

(c) Exchange risk management

After taking into account the effect of forward exchange contracts, there are no material net monetary assets/liabilities of Group companies denominated in currencies other than the relevant Group company's own functional currency.

The Group operates a prudent hedging policy relating to its cross currency business trading cash flows. Currency exposures are netted by currency and hedged forward for up to five years using forward foreign exchange contracts.

(d) Fair values

The estimated fair values of the Group's financial assets and financial liabilities at 31 December 2004 and 2003 are set out below. The fair value of quoted borrowings is based on year-end mid-market quoted prices. The fair values of other borrowings and the derivative financial instruments are estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the year-end.

19 Financial instruments continued

Primary financial instruments held or issued to finance the Group's operations are as follows:

	Net carrying amount 2004 £m	Fair value 2004 £m	Net carrying amount 2003 £m	Fair value 2003 £m
Short term financial liabilities and current portion of long term borrowings	**(21.9)**	**(21.9)**	(292.1)	(301.0)
Long term borrowings	**(669.1)**	**(665.3)**	(580.5)	(577.6)
Cash at bank and liquid investments	**84.3**	**84.3**	172.1	172.1
Other financial assets	**15.5**	**15.5**	20.0	20.0
Other financial liabilities	**(48.4)**	**(48.4)**	(79.6)	(79.6)

The difference between net carrying amount and estimated fair value reflects unrealised gains or losses inherent in the instruments based on valuations at 31 December 2004. The volatile nature of the markets means that values at any subsequent date could be significantly different from the values reported above.

Financial derivative instruments

The estimated current value of the foreign exchange forward contracts and interest rate swaps entered into to hedge future transaction flows and on-balance sheet exposures based on quoted market prices is set out below.

	Book value 2004 £m	Current value 2004 £m	Book value 2003 £m	Current value 2003 £m
Interest rate swaps	**–**	**(0.8)**	–	(0.4)
Foreign exchange forward rate contracts	**–**	**–**	–	2.3
Foreign currency swaps	**–**	**(2.9)**	2.0	2.0
Commodity forwards	**–**	**0.1**	–	(0.6)

(e) Hedges

As explained in the Operating and Financial Review on page 36, the Group's policy is to hedge the following exposures:

– Interest rate risk, using interest and currency swaps; and

– Currency risk, using forward foreign currency contracts for foreign currency receipts and payments. Forward foreign currency contracts are also used for currency exposures on future years' forecasted sales.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amount of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in next year's or later profit and loss accounts.

All the gains and losses on the hedging instruments are expected to be matched by losses and gains on the hedged transactions or positions.

	Unrecognised		
	Gains £m	Losses £m	Total net gains (losses) £m
Gains and losses on hedges at 1 January 2004	**5.2**	**(3.9)**	**1.3**
Arising in previous years included in 2004 income	**(5.1)**	**0.2**	**(4.9)**
Gains and losses not included in 2004 income:			
Arising before 1 January 2004	**–**	**–**	**–**
Arising in 2004 on pre 1 January 2004 contracts	**–**	**(0.8)**	**(0.8)**
Arising in 2004 on 2004 contracts	**0.1**	**(2.9)**	**(2.8)**
Gains and losses on hedges at 31 December 2004	**0.1**	**(3.7)**	**(3.6)**
of which:			
Gains and losses expected to be included in 2005 income	**0.1**	**(3.7)**	**(3.6)**
Gains and losses expected to be included in 2006 income or later	**–**	**–**	**–**
	0.1	**(3.7)**	**(3.6)**

There are no significant deferred gains or losses on hedge transactions.

19 Financial instruments continued

(f) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

(g) Credit risk

The counterparties to the forward exchange contracts and term deposits are major international financial institutions with strong credit ratings. The Group continually monitors its positions and the credit ratings of its counterparties.

20 Other creditors

	Group		Company	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Amounts falling due within one year				
Trade creditors	**113.2**	121.5	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**775.2**	709.0
Other creditors	**57.2**	91.2	**–**	–
Other tax and social security	**13.8**	14.4	**–**	–
UK corporation tax and overseas taxation	**9.7**	20.6	**–**	11.0
Deferred consideration	**18.9**	22.5	**–**	–
Accrued dividends on convertible preference shares	**0.2**	0.3	**0.2**	0.3
Proposed final dividend on Ordinary shares	**61.1**	55.5	**61.1**	55.5
Contract advances payable	**66.6**	34.3	**–**	–
Accruals and deferred income	**102.2**	81.4	**9.7**	12.4
	442.9	441.7	**846.2**	788.2
Amounts falling due after more than one year				
Other creditors	**7.6**	7.8	**–**	–
UK corporation tax and overseas taxation	**45.1**	31.2	**–**	–
Deferred consideration	**8.5**	11.9	**–**	–
Contract advances payable	**50.6**	54.1	**–**	–
Accruals and deferred income	**1.5**	0.7	**–**	–
	113.3	105.7	**–**	–

21 Provisions for liabilities and charges

	Onerous contracts £m	Deluxe restructuring costs £m	Provisions on disposals £m	Other (as restated) £m	Total (as restated) £m
Group					
Balances at 31 December 2003 – as restated	13.6	15.0	2.7	6.3	37.6
Currency translation adjustment	(0.2)	(0.4)	–	–	(0.6)
Profit and loss account					
– operating charge	2.8	0.8	–	–	3.6
– exceptional items	4.8	15.2	–	0.5	20.5
Net interest: release of discount	0.6	–	–	–	0.6
Utilised in the year	(7.7)	(20.0)	(1.9)	(2.4)	(32.0)
Balances at 31 December 2004	**13.9**	**10.6**	**0.8**	**4.4**	**29.7**

	Other £m
Company	
Balance at 31 December 2003	2.2
Utilised in the year	(1.1)
Balance at 31 December 2004	1.1

Onerous contracts
The Group is party to a number of leasehold property contracts. Provision has been made against those leases where the property is now vacant and the unavoidable costs under the lease exceed the economic benefit expected to be derived from potential sub-letting arrangements. The provision made in the year includes costs relating to properties which have become surplus to requirements, discounted at an appropriate discount rate. Further details on the maturity profile of this provision are provided in note 19.

Deluxe restructuring costs
The restructuring costs held at 31 December 2004 relate to the provisions established in Deluxe Media Services in 2003 and 2004 by the exceptional charge described in notes 2 and 3.

Provisions on disposals
This provision was established in 2000 following the disposal of Nightscene, Odeon Cinemas, Pinewood Studios, Tom Cobleigh and UK Holidays. The provision remaining at 31 December 2004 relates to outstanding insurance and potential warranty claims as under the sales contracts.

Further details on the prior period adjustment are provided in the changes to accounting policies note on page 54.

22 Deferred tax

The analysis of the deferred tax asset included in the financial statements at the end of the year is as follows:

	Group	
	2004 **£m**	2003 (as restated) £m
Accelerated capital allowances	**7.3**	15.6
Other UK timing differences	**0.9**	(0.1)
Tax losses carried forward	**52.8**	57.5
Other overseas timing differences	**9.5**	21.6
Deferred tax asset	**70.5**	94.6
Deferred tax asset on pension liability (note 30)	**8.9**	19.9
	79.4	114.5

The movement in the deferred tax asset is provided below:

	Group (as restated) £m
Balance at 31 December 2003 as previously stated	89.7
Prior year adjustment – FRS 17	24.8
At 31 December 2003 as restated	114.5
Currency translation adjustment	(4.1)
Fair value adjustment (companies acquired in 2003 – note 9)	(2.3)
Charge to the profit and loss account (including a £11.3m credit relating to prior years – note 5a)	(20.1)
Amount charged to statement of total recognised gains and losses	(8.6)
Balance at 31 December 2004	**79.4**

The Group has provided for a deferred tax asset in respect of tax losses carried forward because it believes that there will be future taxable profits against which the underlying differences will reverse.

In addition an unrecognised deferred tax asset of £21.1m (2003 – £Nil) existed at 31 December 2004. This deferred tax asset would be recovered if sufficient taxable profits arose in future in the companies in which the deferred tax asset has not been recognised.

23 Capital and reserves

	2004				2003			
	Authorised		**Issued and fully paid**		Authorised		Issued and fully paid	
	Number m	**Nominal value £m**	**Number m**	**Nominal value £m**	Number m	Nominal value £m	Number m	Nominal value £m
US$ cumulative preference shares	**–**	**3**	**–**	**–**	–	3	–	–
Ordinary shares of 10p each	**1,200**	**120**	**624.1**	**62.4**	1,200	120	596.2	59.6
		123		**62.4**		123		59.6

Under the share savings schemes operated by the Company, employees hold options to subscribe for up to 5,367,054 (2003 – 6,996,020) Ordinary shares at prices between 141.0p and 268.0p per share exercisable by 30 November 2009.

Under the executive share option schemes operated by the Company, Directors and executives hold options to subscribe for up to 12,940,699 (2003 – 13,897,085) Ordinary shares at prices ranging between 155.25p and 475.76p per share exercisable over the period up to 9 September 2014.

Options granted pursuant to share savings schemes are issued at a 20% discount to the prevailing market price. Under the provisions of UITF 17 (Revised 2003) no provision is required for the difference between market price and exercise price.

Options granted under the share savings schemes are exercisable normally within a period of six months after the third or fifth anniversary of the related savings contract. Options granted under the executive share option schemes are exercisable, subject to satisfaction of performance conditions, normally within a period commencing on the third anniversary and ending on the tenth anniversary of the date of grant.

Costs relating to the share option schemes are not recognised as the Save As You Earn Scheme is approved by the Inland Revenue.

During the year 4,842,141 Ordinary shares were issued on the exercise of options. A further 23,049,643 Ordinary shares were issued during the year on the conversion of £65.0m Blue Square loan stock.

824,895 (2003 – 2,752,076) Ordinary shares in the Company are held at cost by the Rank Group Employee Benefit Trust ("the Trust"). Under UITF 38 "Accounting for ESOP Trusts" these own shares are deducted from equity and not disclosed as an investment.

Dividends on the shares held by the Trust have been waived by the trustee with the exception of one penny in total. The Trust may make such investments in the shares of the Company or otherwise as the trustee may determine to provide benefits to any eligible employee. The benefits may be provided in the form of shares, cash or otherwise, although any share related benefit will be provided in accordance with an appropriate employee share scheme or bonus scheme of the Company. The shares held by the Trust represent 0.1% of the Company's called up share capital. The market value of the shares held by the Trust on 31 December 2004 was £2.2m.

These shares were acquired by the Trust in the open market using funds provided by the Group to meet obligations under share schemes. The costs of administering the scheme are charged to the profit and loss account of the Group in the period to which they relate.

23 Capital and reserves continued

	£m
Share premium account	
Balance at 31 December 2003	17.5
Movement on issue of shares	70.8
Balance at 31 December 2004	**88.3**

	£m
Capital redemption reserve	
Balances at 31 December 2003 and 31 December 2004	**24.8**

Other reserves	Company and its subsidiaries – Other £m	Associated undertakings £m	Group £m
Group			
Balances at 31 December 2003 – as restated	357.9	(1.7)	356.2
Currency translation adjustment	5.6	–	5.6
Deficit on profit and loss account for the year	(209.6)	–	(209.6)
Credit in respect of employee schemes	0.5	–	0.5
Adjustment to purchase price on acquisition (goodwill)	(18.8)	–	(18.8)
Goodwill previously written off to reserves charged to profit and loss account	76.7	–	76.7
Actuarial gain on defined pension scheme (note 30)	28.5	–	28.5
Movement on deferred tax relating to pension scheme	(8.6)	–	(8.6)
Balances at 31 December 2004	**232.2**	**(1.7)**	**230.5**

Of the £5.6m gain on other net currency translation adjustments, a gain of £33.2m arises from the translation of foreign currency borrowings less deposits. The total cumulative goodwill eliminated against reserves at 31 December 2004 amounted to £816.1m (2003 – £909.0m).

The long-standing dispute with Serena Holdings Limited regarding the consideration payable for an acquisition by the Group, which had been disclosed as a contingent liability, was finally settled at a cost of £18.8m (£10.2m plus £8.6m accrued interest). This has been accounted for as an adjustment to goodwill previously written off to reserves.

Further details on the prior period adjustment are provided in the changes to accounting policies note on page 54.

Other reserves	Other reserves £m
Company	
Balances at 31 December 2003 (as restated)	736.8
Deficit on profit and loss account for the year	(121.7)
Movement in own shares	4.9
Balances at 31 December 2004	**620.0**

24 Analysis of minority interests

	Equity total £m
Balances at 31 December 2003	16.1
Currency translation adjustment	(0.9)
Minority interest in the profit on ordinary activities after tax	0.7
Distributions to minority interests	(1.9)
Purchase of minority interests	(5.3)
Balances at 31 December 2004	**8.7**

25 Reconciliation of operating profit to operating cash flows

	2004 £m	2003 (as restated) £m
Operating profit	**139.0**	160.5
Exceptional charges	**58.1**	51.1
Cash payments in respect of exceptional costs and provisions	**(29.4)**	(34.8)
Depreciation and goodwill amortisation	**79.4**	94.9
(Increase) decrease in stocks	**(0.1)**	5.1
Decrease in debtors	**13.2**	5.9
(Decrease) increase in creditors	**(12.3)**	2.3
Other items (including provisions charged to the profit and loss account)	**12.3**	6.9
Net cash inflow from operating activities	**260.2**	291.9

26 Acquisition of subsidiary undertakings

	EFILM book value £m	EFILM fair value adjustment £m	Provisional fair value EFILM £m	Provisional fair value Other £m	Provisional fair value Total 2004 £m
Tangible fixed assets	**5.4**	**(1.1)**	**4.3**	**5.7**	**10.0**
Net current liabilities excluding cash	**(0.6)**	**–**	**(0.6)**	**(1.4)**	**(2.0)**
Cash acquired	**0.4**	**–**	**0.4**	**0.5**	**0.9**
Net assets acquired	**5.2**	**(1.1)**	**4.1**	**4.8**	**8.9**
Goodwill			**16.2**	**12.0**	**28.2**
Consideration			**20.3**	**16.8**	**37.1**
Satisfied by:					
Cash paid			**15.5**	**12.9**	**28.4**
Originally invested in prior years			**2.1**	**–**	**2.1**
Deferred consideration			**2.7**	**3.9**	**6.6**
			20.3	**16.8**	**37.1**

Cash paid	**28.4**
Deferred consideration in respect of prior year acquisitions	**19.2**
Contingent consideration	**18.8**
Purchase of minority interest	**4.1**
Cash outflow from the purchase of subsidiaries	**70.5**

EFILM

On 6 August 2004 the Group acquired the remaining 80% of the common stock of EFILM LLC, the world's leading digital film laboratory, for consideration of £18.2m including contingent deferred consideration of £2.7m.

The only significant fair value adjustment recorded against EFILM was to write down certain outdated technology assets with limited future value to the business. Consideration reflected in prior years represents amounts paid to purchase the Group's original 20% holding in EFILM less the Group's share of post-acquisition associate losses.

For the period since acquisition, turnover of £5.1m and operating profit (before goodwill amortisation) of £Nil are included within the consolidated proft and loss account as continuing operations – acquisitions.

26 Acquisition of subsidiary undertakings continued

Other acquisitions

On 30 July 2004 the Group acquired the assets of Vision International Services (UK) Ltd, a software business specialising in supply chain services, for cash consideration of £0.3m.

On 2 August 2004 the Group acquired control of 100% of the common stock of MediaVu LLC, a software company specialising in the transmission of digital images, for cash consideration of £0.2m.

On 5 August 2004 the Group acquired 100% of the issued share capital of Softitler (being Softitler Net Inc, Softitler Canada Inc, DigiTitles srl and DigiCaptions India Pvt), one of the world's leading DVD content localisation businesses specialising in subtitling, for consideration of £9.8m including deferred consideration of £2.5m. For the period since acquisition, turnover of £2.6m and operating profit of £0.5m before goodwill amortisation are included within the consolidated profit and loss account as continuing operations – acquisitions.

On 10 August 2004 the Group acquired certain assets of the Digital Video Compression Corporation (DVCC), one of the world's leading DVD compression and authoring businesses, for cash consideration of £2.5m.

On 15 December 2004 the Group acquired a new bingo club in Sabadell for consideration of £4.1m including deferred consideration of £1.5m.

There is no significant difference between the book value and provisional fair value of other acquisitions.

Since acquisition, other acquisitions did not contribute materially to turnover or operating profit.

Deferred consideration

During the year £19.2m of deferred consideration was paid in respect of acquisitions made in prior years.

Contingent consideration

During the year the Group settled a dispute concerning contingent consideration relating to an acquisition in 1990. This payment represents an adjustment to the purchase price of the original acquisition (see note 23).

Minority interest

On 31 December 2004 the Group purchased the remaining 7.8% of the issued share capital of Deluxe Global Media Services LLC for consideration of £8.5m including contingent deferred consideration of £4.4m. Provisional goodwill on the purchase of this minority interest was £3.8m (note 9).

27 Reconciliation to net debt

	2004 £m	2003 £m
(Decrease) increase in cash in the year	**(85.4)**	70.8
Decrease (increase) in debt and lease financing	**74.1**	(303.3)
Movement in liquid resources (a)	**5.6**	(19.6)
Increase in net debt from cash flows	**(5.7)**	(252.1)
Convertible bond	**65.0**	(65.0)
Borrowings and leases disposed (acquired) with subsidiaries	**1.3**	(11.8)
Currency translation adjustment	**33.2**	27.5
Decrease (increase) in net debt in year	**93.8**	(301.4)
Net debt at 1 January	**(700.5)**	(399.1)
Net debt at 31 December	**(606.7)**	(700.5)
Cash, deposits and current asset investments (note 17)	**84.3**	172.1
Loan capital and borrowings (note 18)	**(691.0)**	(872.6)
Net debt at 31 December	**(606.7)**	(700.5)

(a) The movement in liquid resources consisted of purchases of deposits and investments of £9.9m (2003 – £4.5m) and sales of £4.3m (2003 – £24.1m).

28 Analysis of net debt

	31 December 2003 £m	Cash flow £m	Disposals £m	Other non-cash changes £m	Currency translation adjustment £m	**31 December 2004 £m**
Cash in hand and at bank	167.9	(92.2)	–	–	(1.0)	**74.7**
Overdrafts	(25.6)	6.8	–	–	–	**(18.8)**
		(85.4)				**55.9**
Debt due after one year	(576.5)	(118.1)	–	–	26.7	**(667.9)**
Debt due within one year	(260.3)	187.0		65.0	7.5	**(0.8)**
Finance leases	(10.2)	5.2	1.3	–	0.2	**(3.5)**
		74.1				**(672.2)**
Liquid resources	4.2	5.6	–	–	(0.2)	**9.6**
Total	(700.5)	(5.7)	1.3	65.0	33.2	**(606.7)**

Liquid resources comprise current asset investments which, as described in note 17, represent amounts readily convertible into cash.

Other non-cash changes comprise the conversion of convertible loan stock.

29 Directors

(a) Directors' interests

The Directors' interests in shares or stocks of the Company, including options to purchase Ordinary shares under the terms of the Group's executive share option scheme, and conditional awards under the long term incentive plan, are detailed in the Remuneration Report. Details of options to subscribe for Ordinary shares of the Company granted to or exercised by Directors in the year ended 31 December 2004 are also detailed in the Remuneration Report.

(b) Total emoluments of the Directors of The Rank Group Plc

	2004 £000	2003 £000
Fees	**143**	113
Base salaries, allowances and taxable benefits	**1,199**	1,120
Bonuses	**197**	227
Salary supplements	**68**	64
Aggregate emoluments	**1,607**	1,524
Pension contributions – defined contributions	**270**	257
Total emoluments	**1,877**	1,781
(c) Emoluments of Chairman	**185**	177
(d) Emoluments of highest paid Director	**1,041**	1,003

(e) Company policy on the remuneration of Directors and details of the remuneration of each Director are set out in the Remuneration Report on pages 39 to 44.

30 Employees

Employee costs	**2004 £m**	2003 £m
Wages and salaries	**375.7**	353.2
Social security costs	**37.5**	36.3
Other pension costs	**10.1**	7.0
	423.3	396.5

Average number of employees by geographical area	**2004**	2003
UK	**11,046**	11,453
North America	**10,520**	8,971
Rest of the World	**3,593**	3,579
	25,159	24,003

30 Employees continued

Provision for pension and similar obligations

The Group adopted FRS 17 "Retirement Benefits" during the year and the pension charge for the year was £2.2m. If the Group had continued to apply SSAP 24, the net pension expense for the year would have been £8.6m.

UK The Group has two pension schemes for UK employees, both of which are contracted out of the State Second Pension arrangements. The schemes are externally funded under separate trusts and the funds' assets are held separately from Group assets. The accounts of both schemes for the year ended 5 April 2004 have been reported upon by their auditors without qualification.

UK Rank Pension Plan

The Rank Pension Plan ("the Plan") is a defined benefit scheme with pensions fixed by reference to final pay and length of service.

Formal actuarial valuations of the Plan are carried out at least triennially by an independent actuary, Mercer Human Resource Consulting Limited. The most recent valuation was undertaken as at 5 April 2004, but has yet to be completed.

The most recent actuarial valuation of the Plan has been updated by an independent actuary to 31 December 2004.

The main actuarial assumptions used to calculate the Plan's liabilities under FRS 17 are:

	2004	2003	2002
Valuation method	**projected unit**	projected unit	projected unit
Discount rate	**5.25%**	5.25%	5.50%
Inflation assumption	**2.75%**	2.75%	2.25%
Rate of increase in salaries	**4.00%**	4.00%	3.50%
Rate of increase of deferred pensions	**2.75%**	2.75%	2.25%
Rate of increase of pensions in payment			
– increases (5% LPI increases)	**2.75%**	2.75%	2.25%
– discretionary increases	**–**	–	1.25%

The assets in the Plan and the expected rate of return were:

	Long term rate of return expected at 31 December 2004	**Value at 31 December 2004 £m**	Long term rate of return expected at 31 December 2003	Value at 31 December 2003 £m	Long term rate of return expected at 31 December 2002	Value at 31 December 2002 £m
Equities	**7.0%**	**323.8**	7.25%	352.2	7.0%	280.0
Government bonds	**4.5%**	**105.6**	4.75%	85.9	4.5%	90.0
Non-government bonds	**5.25%**	**105.6**	5.25%	63.1	5.5%	66.4
Insurance policies	**5.25%**	**14.4**	5.25%	11.6	5.5%	13.3
Cash	**4.75%**	**8.9**	3.75%	11.0	4.0%	16.0
Total market value of assets		**558.3**		523.8		465.7

The following amounts at 31 December 2004, 31 December 2003 and 31 December 2002 were measured in accordance with the requirements of FRS 17.

	2004 £m	2003 £m	2002 £m
Total market value of assets	**558.3**	523.8	465.7
Actuarial value of defined benefit liabilities	**(586.4)**	(588.6)	(556.6)
Deficit in the Plan	**(28.1)**	(64.8)	(90.9)
Related deferred tax asset (note 22)	**8.4**	19.4	27.3
Net pension liability	**(19.7)**	(45.4)	(63.6)

30 Employees continued

The Plan is closed to new entrants. Under the projected unit method of valuation, the current service cost will increase as the members of the Plan approach retirement.

The following amounts have been recognised in the performance statements in the year to 31 December 2004 under the requirements of FRS 17:

	2004 £m	2003 £m
Operating profit		
Current service cost	**(5.4)**	(4.8)
Total operating charge	**(5.4)**	(4.8)
Other finance income		
Expected return on Plan assets	**33.7**	28.5
Interest on Plan liabilities	**(30.5)**	(30.1)
Net return	**3.2**	(1.6)
Net pension charge	**(2.2)**	(6.4)
Statement of total recognised gains and losses		
Actual return less expected return on Plan assets	**11.1**	39.7
Experience gains and losses arising on Plan liabilities	**63.8**	14.6
Removal of allowance for discretionary pension increases	**–**	49.1
Changes in assumptions underlying the present value of Plan liabilities	**(46.4)**	(81.3)
Actuarial gain recognised	**28.5**	22.1

	2004 £m	2003 £m
Movement in deficit during the year		
Deficit in Plan at beginning of the year	**(64.8)**	(90.9)
Movement in year:		
Current service cost	**(5.4)**	(4.8)
Contributions	**10.4**	10.4
Other finance income (expense)	**3.2**	(1.6)
Actuarial gain	**28.5**	22.1
Deficit in Plan at end of the year	**(28.1)**	(64.8)

	2004	2003
Details of experience gains and losses for the year to 31 December 2004		
Difference between the expected and actual return on Plan assets:		
Amount (£m)	**11.1**	39.7
Percentage of Plan assets	**2.0%**	7.6%
Experience gains and losses on Plan liabilities:		
Amount (£m)	**63.8**	14.6
Percentage of the present value of Plan liabilities	**10.9%**	2.5%
Total amount recognised in statement of total recognised gains and losses:		
Amount (£m)	**28.5**	22.1
Percentage of the present value of Plan liabilities	**4.9%**	3.8%

In light of the expected results of the April 2004 valuation, the Group increased its level of contributions to the Plan with effect from 1 January 2005.

There was a net pension expense in respect of the Plan for the year to 31 December 2004 of £2.2m (2003 – £6.4m expense restated under FRS 17).

Other UK pension commitments

The Rank Money Purchase Pension Scheme is a defined contribution scheme with benefits which depend on the contribution levels and the emerging investment performance. The market value of its assets at 5 April 2004 was £38.7m (2003 – £34.7m). Group contributions to this scheme in the year to 31 December 2004 totalled £2.6m (2003 – £2.6m). There were no significant contributions outstanding.

30 Employees continued

The Group has an unfunded pension commitment relating to two former executives and one current executive of the Group. The provision is calculated using a basis consistent with the assumptions used to value the funded defined benefit plan in the UK. At 31 December, the Group's commitment was £3.5m (2003 – £3.7m restated for FRS 17). The Group paid £0.1m (2003 – £0.1m) in pension payments during the year.

US The Group operates defined contribution schemes in the US. Group contributions to these schemes totalled £3.2m (2003 – £3.1m). There were no significant contributions outstanding. Deluxe Film is contractually obliged to pay certain employees a one off cash payment on retirement. At 31 December 2004, the Group's commitment was £1.1m (2003 – £1.1m) (net of a deferred tax asset of £0.5m in both years). The Group paid £0.1m (2003 – £0.1m) in relation to the commitment during the year.

At 31 December 2004 there was a net pension liability of £24.3m (2003 – £50.1m restated under FRS 17) of which £19.7m relates to the Plan, £3.5m relates to the unfunded UK commitment and £1.1m relates to the US unfunded retirement benefit plan.

31 Contingent liabilities

	2004 £m	2003 £m
Group		
Guarantees by the Company and by subsidiary undertakings	**4.0**	27.3

	2004 £m	2003 £m
Company		
Guarantees of advances to subsidiary undertakings	**612.0**	888.9

No security has been given in respect of any contingent liability.

32 Commitments

Future capital expenditure

At 31 December 2004 commitments for capital expenditure amounted to £5.3m (2003 – £35.6m) for the Group.

Group operating lease commitments

At 31 December 2004 commitments to make payments under operating leases in the following 12 months were:

	Land and buildings		Plant and machinery	
	2004 £m	2003 £m	**2004 £m**	2003 £m
Leases expiring in one year	**3.0**	3.3	**0.5**	0.5
Leases expiring in two to five years	**11.6**	8.2	**16.5**	14.3
Leases expiring in more than five years	**48.1**	49.3	**–**	–
	62.7	60.8	**17.0**	14.8

33 Related party transactions

On 6 August 2004 the Group acquired the remaining 80% of the common stock of EFILM LLC as described in note 26. In the period until EFILM became a wholly owned subsidiary, the Group had purchases from EFILM of £0.7m.

In the year the Group traded with its joint venture undertakings Atlab and Lifestar (see note 12). Group sales to these joint ventures totalled £0.7m, purchases totalled £15.1m, marketing fees, royalties and reimbursed costs totalled £1.0m and at 31 December 2004 these joint ventures owed the Group £3.6m.

The Group recharges the Rank Group UK Pension schemes with the costs of administration and independent pension advisers borne by the Group. Tht total amount recharged in the year ended 31 December 2004 was £1.4m (2003 – £1.9m).

The Company is taking advantage of the exemption granted by paragraph 3 (i) of FRS 8 "Related Party Disclosures" not to disclose transactions with companies within the Group which are related parties.

Except where otherwise stated, The Rank Group Plc (Rank) owns directly or indirectly 100% of the ordinary share capital and voting rights of the following companies. The companies are incorporated in Great Britain unless otherwise indicated after the company name. The principal operations are carried out in the country of registration; all these companies have a 31 December year-end. The Group comprises a large number of companies and it is not practical to list all of them below. The list therefore includes those companies which the Directors consider principally affect the results or financial position of Rank. Particulars of all Rank Group companies will be annexed to the next Annual Return submitted to the Registrar of Companies by Rank.

Gaming	**Principal activities**
Grosvenor Casinos Limited	London and provincial casinos
Mecca Bingo Limited	Social and bingo clubs
Rank Group Gaming Division Limited	Owns the Group's investments in Gaming division companies
Blue Square Limited*	Interactive gaming
Hard Rock	
Hard Rock Cafe International (USA) Inc. (US)	Operates and franchises Hard Rock Cafes
Hard Rock International Limited	Operates and franchises Hard Rock Cafes
Deluxe	
Deluxe Laboratories Limited	Film processing laboratory
Deluxe Laboratories Inc. (US)	Film processing laboratory
Deluxe Toronto Limited (Canada)	Film processing laboratory
Deluxe Media Services Inc. (US)	Video duplication and distribution
Deluxe Global Media Services LLC (US)	DVD replication
Holding & other companies	
Rank America Inc. (US)	Owns the Group's investments in the US
Rank Group Finance Plc*	Funding operations for the Group
Rank Leisure Holdings Limited*	Owns the Group's investments in the UK operating subsidiary undertakings and Rank Overseas Holdings Limited
Rank Overseas Holdings Limited	Owns the Group's investment in Rank Holdings (Netherlands) BV and Rank America Inc.

*directly held by the Company

Five Year Review

Year ended 31 December

	2004 £m	2003 (as restated) £m	2002 (as restated) £m	2001 £m	2000 £m
Turnover					
Current operations (including acquisitions)	**1,953**	1,926	1,509	1,367	1,404
Former operations	**–**	–	–	–	389
	1,953	1,926	1,509	1,367	1,793
Operating profit before goodwill amortisation and exceptional items	**205**	218	216	211	203
Goodwill amortisation	**(8)**	(6)	(1)	(1)	–
Operating profit – current operations (including acquisitions)	**197**	212	215	210	203
Former operations	**–**	–	–	–	60
	197	212	215	210	263
Exceptional items charged against operating profit	**(58)**	(51)	(6)	(38)	(44)
Non-operating items (including share of associates)	**(185)**	4	4	9	(450)
Universal Studios Escape before exceptional items	**–**	–	–	–	(11)
Universal Studios Escape exceptional items	**–**	–	–	–	(1)
Other associates and joint ventures	**–**	1	3	3	(11)
Interest (net)	**(37)**	(43)	(16)	(24)	(87)
Loss (profit) before tax	**(83)**	123	200	160	(341)
Tax	**(35)**	(28)	(59)	(67)	173
Minority interests	**(1)**	1	(2)	(2)	(3)
Preference dividends	**–**	(17)	(21)	(21)	(21)
(Loss) earnings	**(119)**	79	118	70	(192)
Basic (loss) earnings per Ordinary share	**(19.9)p**	13.3p	19.6p	11.9p	(27.6)p
Basic earnings per Ordinary share before exceptional items	**19.0p**	18.2p	19.9p	16.5p	15.2p
Basic earnings per Ordinary share before goodwill amortisation and exceptional items	**20.0p**	19.2p	20.1p	16.5p	15.2p
Total dividend per Ordinary share	**14.6p**	13.9p	13.2p	12.6p	12.0p

Year ended 31 December

	2004 £m	2003 (as restated) £m	2002 (as restated) £m	2001 £m	2000 £m
Group funds employed					
Fixed assets	**836**	927	833	733	780
Investments	**55**	57	63	65	56
Other assets (net)	**131**	191	190	194	231
Total funds employed at year-end	**1,022**	1,175	1,086	992	1,067
Financed by					
Ordinary share capital and reserves	**406**	458	440	505	509
Preference share capital including premium	**–**	–	227	224	222
Minority interests	**9**	16	20	15	16
	415	474	687	744	747
Net debt	**607**	701	399	248	320
	1,022	1,175	1,086	992	1,067
Average number of employees (000s)	**25.2**	24.0	20.9	21.0	37.1

2003 and 2002 have been restated to reflect FRS 17 and UITF 38. The years 2001 and 2000 have not been restated due to the considerable costs involved to obtain the necessary information for these years.

A wide range of shareholder information is available in the Investor Relations area of the Rank Group website: www.rank.com.

Ordinary shares
The total number of Ordinary shares in issue as at 31 December 2004 was 624,055,505 shares which were held by a total of 25,980 shareholders.

American Depositary Receipts (ADRs)
The Company's Ordinary shares are traded on NASDAQ in the form of American depositary shares, evidenced by ADRs and traded under the symbol "RANKY". Each American depositary share represents two Ordinary shares. The total number of American depositary shares in issue as at 31 December 2004 was 2,078,148 (representing 4,156,296 Ordinary shares) which were held by a total of 2,068 ADR holders.

J P Morgan Chase Bank is the depositary bank. All enquiries regarding ADR holder accounts and payment of dividends should be directed to J P Morgan ADR Service Center, PO Box 43013, Providence, RI 02940-3013 (Tel: 1-800-428-4237 (toll-free in the US) or +1-781-575-4328 (from outside the US)). Information can also be obtained online by visiting www.adr.com.

Share price information
The latest information on the Rank Ordinary share price is available in the Investor Relations area of www.rank.com. Information is also available on Ceefax and on the Financial Times Cityline Service:
Tel: 0906 003 3771 (calls charged at 60p per minute).

Capital gains tax
For the purpose of calculating UK capital gains tax on a disposal of Ordinary shares in the Company held since 31 March 1982 (including shares held in the predecessor company, The Rank Organisation Plc), the price of the Company's Ordinary shares at that date was 190p per share. This price should be adjusted for the effects of the rights issue in January 1990, the enhanced share alternative in July 1993, the sub-division and consolidation of shares in March 1994 and the enhanced scrip dividend in March 1998. More information regarding these adjustments is available on the Rank Group website: www.rank.com.

Share dealing service
The sale or purchase of shares must be done through a stockbroker. The London Stock Exchange provides a "Guide to Share Investment Services" which details a number of companies offering share dealing services. For more information, please visit www.londonstockexchange.com/shareaware.

Rank has also arranged a panel of low cost providers:

- Hoare Govett Tel: 020 7678 8300, postal dealing, 1.00% commission, £10 minimum charge.
- NatWest Stockbrokers (www.natweststockbrokers.co.uk)* Tel: 0870 600 4080, telephone dealing, 1.00% commission (i), £15 minimum charge.
- Stocktrade (www.stocktrade.co.uk)** Tel: 0845 601 0995 (quoting LowCo0164), telephone dealing, 0.5% commission (ii), £15 minimum charge.
- Lloyds TSB Registrars (www.shareview.co.uk)*** Tel: 0870 850 8520, telephone dealing, 0.5% commission, £20 minimum charge.

(i) Up to £4,000, then 0.1% thereafter.
(ii) Up to £10,000, then 0.2% thereafter.

* An additional charge applies to all dealing involving paper certificates.

** To deal online, this service requires registration with Stocktrade and the transfer of shares to a CREST account sponsored by Stocktrade.

*** Charges for online dealing are 0.5% commission, with a £17.50 minimum charge.

Please note that the Directors of the Company are not seeking to encourage shareholders to either buy or sell shares. Shareholders in any doubt about what action to take are recommended to seek financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.

Form 20-F
The Company is subject to the regulations of the Securities and Exchange Commission (SEC) in the US as they apply to foreign companies. The Company will file its annual report on Form 20-F with the SEC. Copies of the Directors' Report and Accounts and Form 20-F can be obtained in the US by contacting J P Morgan Chase Bank at the address quoted above.

Registrar
All enquiries relating to Ordinary shareholders, dividends and changes of address should be addressed to the Company's registrar (quoting reference number 1235), Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA (Tel: 0870 600 3953). There is a text phone available on 0870 600 3950 for shareholders with hearing difficulties.

www.shareview.co.uk
The Shareview Portfolio service from the Company's registrar gives shareholders more control of their Rank shares and other investments including:

- direct access to data held for them on the share register including recent share movements and dividend details;
- a recent valuation of their portfolio;
- a range of information and practical help for shareholders.

It is easy and free to set up a portfolio – shareholders will just need the shareholder reference printed on their proxy form or dividend stationery. Visit the website for more details: www.shareview.co.uk.

Payment of dividends
Shareholders whose dividends are not currently paid to mandated accounts may wish to consider this method of payment, which has a number of advantages: dividends are paid direct into the shareholder's nominated account, cleared funds are provided on the payment date, and the relevant tax voucher is sent to the shareholder's registered address.

If shareholders would like future dividends paid in this way, they should contact the registrar for a dividend mandate form. A mandate form will also be attached to the next dividend cheque.

2005 Interim Results
The Listing Rules published by the Financial Services Authority permit the Company to publish its Interim Results in a national newspaper instead of sending a printed brochure to shareholders. For the 2005 Interim Results, which will be announced on 2 September 2005, the Company has decided to take advantage of these provisions and will be placing an advertisement in the Daily Telegraph in the week commencing 5 September 2005 instead of distributing a printed brochure. This is in addition to a press release being made on the day, and the availability of the results on the Company website.

ShareGift
Shareholders with a small number of shares, the value of which makes it uneconomical to sell, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation. Share transfer forms are available from the registrars.

Further information about ShareGift is available at www.sharegift.org or by writing to:
ShareGift
The Orr Mackintosh Foundation
46 Grosvenor Street
London W1K 3HN
Tel: 020 7337 0501

For further information please contact:
Charles Cormick, Company Secretary
Peter Reynolds, Director of Investor Relations
The Rank Group Plc
6 Connaught Place
London W2 2EZ
www.rank.com
Tel: 020 7706 1111

Summary Notice of Annual General Meeting

Summary of business to be transacted at the 2005 Annual General Meeting
The full text of the notice of the meeting, together with explanatory notes, is set out in a separate document which is enclosed with this Report and Accounts.

The Annual General Meeting of the Company will be held at the Plaisterers Hall, No 1 London Wall, London EC2Y 5JU at 11.30am on Wednesday 27 April 2005.

Business to be transacted at the Annual General Meeting

1. To receive the report of the Directors and the audited Accounts for the year ended 31 December 2004.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2004.
3. To declare a final dividend of 9.8p per Ordinary share.
4. To re-appoint Richard Greenhalgh as a Director.
5. To re-appoint Brendan O'Neill as a Director.
6. To re-appoint David Boden as a Director.
7. To re-appoint Oliver Stocken as a Director.
8. To re-appoint Mike Smith as a Director.
9. To re-appoint the Auditors.
10. To authorise the Directors to agree the remuneration of the Auditors.
11. To approve the Rank Group 2005 Share Savings Scheme.
12. To approve the Rank Group 2005 Long Term Incentive Plan.
13. To amend the Articles of Association to increase the aggregate fees payable to the Directors.
14. To authorise the Directors to allot relevant securities.
15. To authorise the Directors to disapply pre-emption rights.
16. To authorise the Company to make market purchases of its Ordinary shares.
17. To authorise the Company to offer a scrip dividend alternative.

Proxy forms for use in connection with the business to be transacted at the Annual General Meeting are enclosed with this Report and Accounts.

2005 Financial Calendar

27 April	Annual General Meeting
6 May	Final dividend payment on Ordinary shares
2 September	Interim results announcement
14 October	Interim dividend payment on Ordinary shares

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